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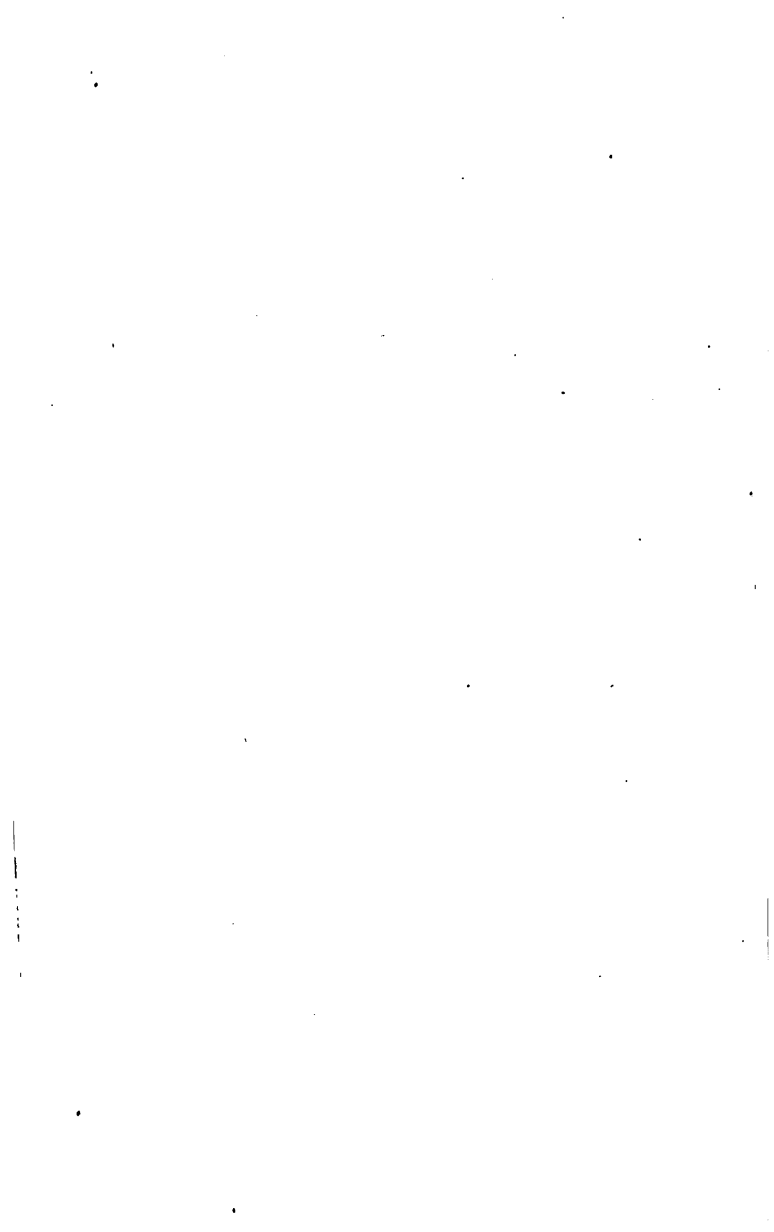
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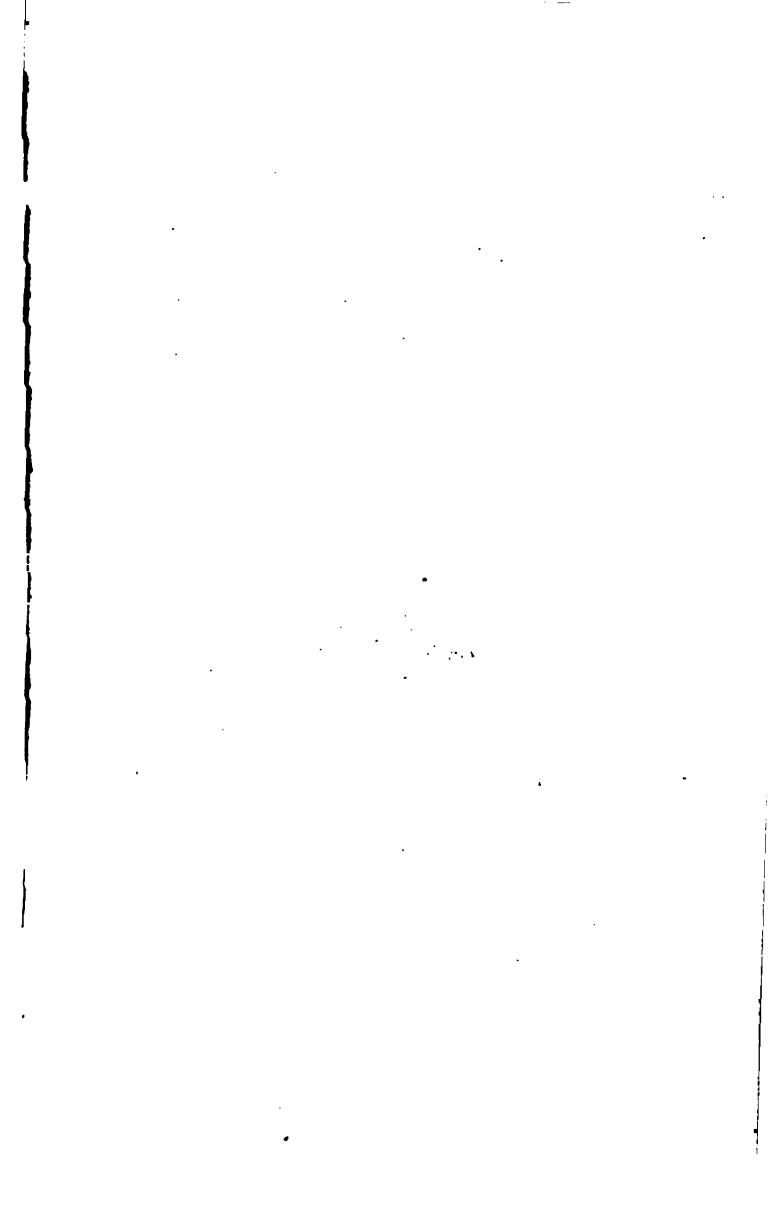
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AN INQUIRY
INTO
THE NATURE AND CAUSES
OF THE
WEALTH OF NATIONS,

BY
ADAM SMITH, LL.D.
WITH A COMMENTARY,

BY THE
AUTHOR OF "ENGLAND AND AMERICA."

VOL. II.



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AN
INQUIRY INTO THE NATURE AND CAUSES
OF THE
WEALTH OF NATIONS.

BOOK I.
CHAPTER XI.

Of the Rent of Land.

RENT, considered as the price paid for the use of land, is naturally the highest which the tenant can afford to pay in the actual circumstances of the land. In adjusting the terms of the lease, the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle, and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood. This is evidently the smallest share with which the tenant can content himself without being a loser, and the landlord seldom means to leave him any more. Whatever part of the produce, or, what is the same thing, whatever part of its price, is over and above

this share, he naturally endeavours to reserve to himself as the rent of his land, which is evidently the highest the tenant can afford to pay in the actual circumstances of the land. Sometimes, indeed, the liberality, more frequently the ignorance, of the landlord, makes him accept of somewhat less than this portion; and sometimes too, though more rarely, the ignorance of the tenant makes him undertake to pay somewhat more, or to content himself with somewhat less than the ordinary profits of farming stock in the neighbourhood. This portion, however, may still be considered as the natural rent of land, or the rent for which it is naturally meant that land should for the most part be let.

The rent of land, it may be thought, is frequently no more than a reasonable profit or interest for the stock laid out by the landlord upon its improvement. This, no doubt, may be partly the case upon some occasions; for it can scarce ever be more than partly the case. The landlord demands a rent even for unimproved land, and the supposed interest or profit upon the expense of improvement is generally an addition to this original rent. Those improvements, besides, are not always made by the stock of the landlord, but sometimes by that of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent, as if they had been all made by his own.

He sometimes demands rent for what is altogether incapable of human improvement. Kelp is a species of sea-weed, which, when burnt, yields an alkaline

salt, useful for making glass, soap, and for several other purposes. It grows in several parts of Great Britain, particularly in Scotland, upon such rocks only as lie within the high water mark, which are twice every day covered with the sea, and of which the produce, therefore, was never augmented by human industry. The landlord, however, whose estate is bounded by a kelp shore of this kind, demands a rent for it as much as for his corn-fields.

The sea in the neighbourhood of the islands of Shetland is more than commonly abundant in fish, which make a great part of the subsistence of their inhabitants. But in order to profit by the produce of the water, they must have a habitation upon the neighbouring land. The rent of the landlord is in proportion, not to what the farmer can make by the land, but to what he can make both by the land and by the water. It is partly paid in sea-fish ; and one of the very few instances in which rent makes a part of the price of that commodity is to be found in that country.

The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take ; but to what the farmer can afford to give.

Such parts only of the produce of land can commonly be brought to market of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with

its ordinary profits. If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand.

There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient so bring them to market ; and there are others for which it either may or may not be such as to afford this greater price. The former must always afford a rent to the landlord. The latter sometimes may, and sometimes may not, according to different circumstances.

Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price ; high or low rent is the effect of it. It is because high or low wages and profit must be paid, in order to bring a particular commodity to market, that its price is high or low. But it is because its price is high or low ; a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit, that it affords a high rent, or a low rent, or no rent at all.

The particular consideration, first, of those parts of the produce of land which always afford some rent ; secondly, of those which sometimes may and sometimes may not afford rent ; and, thirdly, of the variations which, in the different periods of improve-

ment, naturally take place in the relative value of those two different sorts of rude produce, when compared both with one another and with manufactured commodities, will divide this chapter into three parts.

PART I.

Of the Produce of Land which always affords Rent.

As men, like all other animals, naturally multiply in proportion to the means of their subsistence, food is always, more or less, in demand. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it. The quantity of labour, indeed, which it can purchase, not always equal to what it could maintain, if managed in the most economical manner, on account of the high wages which are sometimes given to labour. But it can always purchase such a quantity of labour as it can maintain, according to the rate at which that sort of labour is commonly maintained in the neighbourhood.

But land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus too is always more than sufficient to replace the stock which employed that labour, together with its profits. Something,

therefore, always remains for a rent to the landlord.

The most desert moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labour necessary for tending them, and to pay the ordinary profit to the farmer or owner of the herd or flock; but to afford some small rent to the landlord. The rent increases in proportion to the goodness of the pasture. The same extent of ground not only maintains a greater number of cattle, but as they are brought within a smaller compass, less labour becomes requisite to tend them, and to collect their produce. The landlord gains both ways; by the increase of the produce, and by the diminution of the labour which must be maintained out of it.

The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility. Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country the rate of profits, as has already been shown, is generally higher than in the neighbour-

hood of a large town. A smaller proportion of this diminished surplus, therefore, must belong to the landlord.

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established but in consequence of that free and universal competition which forces everybody to have recourse to it for the sake of self-defence. It is not more than fifty years ago, that some of the counties in the neighbourhood of London petitioned the parliament against the extension of the turnpike-roads into the remoter counties. Those remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time,

A corn field of moderate fertility produces a much greater quantity of food for man, than the best pasture of equal extent. Though its cultivation requires much more labour, yet the surplus which remains after replacing the seed and maintaining all that labour, is likewise much greater. If a pound of butcher's meat therefore was never supposed to be worth more than a pound of bread, this greater surplus would every where be of greater value, and constitute a greater fund both for the profit of the farmer and the rent of the landlord. It seems to have done so universally in the rude beginnings of agriculture.

But the relative values of those two different species of food, bread and butcher's meat, are very different in the different periods of agriculture. In its rude beginnings, the unimproved wilds, which then occupy the far greater part of the country, are all abandoned to cattle. There is more butcher's meat than bread, and bread, therefore, is the food for which there is the greatest competition, and which consequently brings the greatest price. At Buenos Ayres, we are told by Ulloa, four reals, one-and-twenty pence halfpenny sterling, was, forty or fifty years ago, the ordinary price of an ox, chosen from a herd of two or three hundred. He says nothing of the price of bread, probably because he found nothing remarkable about it. An ox there, he says, costs little more than the labour of catching him. But corn can no where be raised without a great deal of labour, and in a country which lies upon the river

Plate, at that time the direct road from Europe to the silver mines of Potosi, the money price of labour could not be very cheap. It is otherwise when cultivation is extended over the greater part of the country. There is then more bread than butcher's meat. The competition changes its direction, and the price of butcher's meat becomes greater than the price of bread*.

By the extension besides of cultivation, the unimproved wilds become insufficient to supply the demand for butcher's meat. A great part of the cultivated lands must be employed in rearing and fattening cattle, of which the price, therefore, must be sufficient to pay, not only the labour necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the

* Referring to the Note on the first chapter of this Book, it appears that the high price of agricultural produce, in some countries where land is very cheap, is owing, not to dearness, but to scarcity of labour; the produce being small in proportion to the capital and labour employed (notwithstanding that only the most fertile land is cultivated) because where land is very cheap, and slavery not established, both capital and labour are usually divided into fractions as numerous as the cultivators.—E.

price of their cattle. It is not more than a century ago that in many parts of the highlands of Scotland, butcher's meat was as cheap or cheaper than even bread made of oatmeal. The union opened the market of England to the highland cattle. Their ordinary price is at present about three times greater than at the beginning of the century, and the rents of many highland estates have been tripled and quadrupled in the same time. In almost every part of Great Britain a pound of the best butcher's meat is, in the present times, generally worth more than two pounds of the best white bread; and in plentiful years it is sometimes worth three or four pounds.

It is thus that, in the progress of improvement, the rent and profit of unimproved pasture come to be regulated in some measure by the rent and profit of what is improved, and these again by the rent and profit of corn. Corn is an annual crop. Butcher's meat, a crop which requires four or five years to grow. As an acre of land, therefore, will produce a much smaller quantity of the one species of food than of the other, the inferiority of the quantity must be compensated by the superiority of the price. If it was more than compensated, more corn land would be turned into pasture; and if it was not compensated, part of what was in pasture would be brought back into corn.

This equality, however, between the rent and profit of grass and those of corn; of the land of which the immediate produce is food for cattle, and

of that of which the immediate produce is food for men; must be understood to take place only through the greater part of the improved lands of a great country. In some particular local situations it is quite otherwise, and the rent and profit of grass are much superior to what can be made by corn.

Thus in the neighbourhood of a great town, the demand for milk and for forage to horses, frequently contribute, together with the high price of butcher's meat, to raise the value of grass above what may be called its natural proportion to that of corn. This local advantage, it is evident, cannot be communicated to the lands at a distance.

Particular circumstances have sometimes rendered some countries so populous, that the whole territory, like the lands in the neighbourhood of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants. Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot be so easily brought from a great distance; and corn, the food of the great body of the people, has been chiefly imported from foreign countries. Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans. To feed well, old Cato said, as we are told by Cicero, was the first and most profitable thing in the management of a private estate: to feed tolerably well, the second; and to feed ill, the third. To plough, he ranked only in the fourth

place of profit and advantage*. Tillage, indeed, in that part of ancient Italy which lay in the neighbourhood of Rome, must have been very much discouraged by the distributions of corn which were frequently made to the people, either gratuitously, or at a very low price. This corn was brought from the conquered provinces, of which several, instead of taxes, were obliged to furnish a tenth part of their produce at a stated price, about sixpence a peck, to the republic. The low price at which this corn was distributed to the people, must necessarily have sunk the price of what could be brought to the Roman market from Latium, or the ancient territory of Rome, and must have discouraged its cultivation in that country.

In an open country too, of which the principal produce is corn, a well-enclosed piece of grass will frequently rent higher than any corn-field in its neighbourhood. It is convenient for the maintenance of the cattle employed in the cultivation of the corn, and its high rent is, in this case, not so properly paid from the value of its own produce, as from that of the corn lands which are cultivated by means of it. It is likely to fall, if ever the neighbouring lands are completely enclosed. The present high rent of enclosed land in Scotland seems owing

* Such, perhaps, would be the opinion of farmers in this country, if, by means of importing very cheap corn, the demand for all the products of land, exclusive of corn, should come to exceed the present demand for corn and all the other products of land.—E.

to the scarcity of enclosure, and will probably last no longer than that scarcity. The advantage of enclosure is greater for pasture than for corn. It saves the labour of guarding the cattle, which feed better too when they are not liable to be disturbed by their keeper or his dog.

But where there is no local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture.

The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's meat naturally has over that of bread. It seems accordingly to have done so; and there is some reason for believing that, at least in the London market, the price of butcher's meat, in proportion to the price of bread, is a good deal lower in the present times than it was in the beginning of the last century.

In the appendix to the life of Prince Henry, Doctor Birch has given us an account of the prices of butcher's meat as commonly paid by that prince. It is there said, that the four quarters of an ox weighing six hundred pounds, usually cost him nine pounds ten shillings, or thereabouts; that is, thirty-one shillings and eight-pence per hundred

pounds weight. Prince Henry died on the 6th of November, 1612, in the nineteenth year of his age.

In March, 1764, there was a parliamentary inquiry into the causes of the high price of provisions at that time. It was then, among other proof to the same purpose, given in evidence by a Virginia merchant, that in March, 1763, he had victualled his ships for twenty-four or twenty-five shillings the hundred weight of beef, which he considered as the ordinary price ; whereas, in that dear year, he had paid twenty-seven shillings for the same weight and sort. This high price in 1764 is, however, four shillings and eight-pence cheaper than the ordinary price paid by prince Henry ; and it is the best beef only, it must be observed, which is fit to be salted for those distant voyages.

The price paid by prince Henry amounts to $3\frac{1}{4}d.$ per pound weight of the whole carcase, coarse and choice pieces taken together ; and at that rate the choice pieces could not have been sold by retail for less than $4\frac{1}{2}d.$ or $5d.$ the pound.

In the parliamentary inquiry in 1764, the witnesses stated the price of the choice pieces of the best beef to be to the consumer $4d.$ and $4\frac{1}{4}d.$ the pound ; and the coarse pieces in general to be from seven farthings to $2\frac{1}{2}d.$ and $2\frac{3}{4}d.$; and this they said was in general one halfpenny dearer than the same sort of pieces had usually been sold in the month of March. But even this high price is still a good deal cheaper than what we can well suppose the

ordinary retail price to have been in the time of prince Henry.

During the twelve first years of the last century, the average price of the best wheat at the Windsor market was 1*l.* 8*s.* 3½*d.* the quarter of nine Winchester bushels.

But in the twelve years preceding 1764, including that year, the average price of the same measure of the best wheat at the same market was 2*l.* 1*s.* 9½*d.*

In the twelve first years of the last century, therefore, wheat appears to have been a good deal cheaper, and butcher's meat a good deal dearer, than in the twelve years preceding 1764, including that year.

In all great countries the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture; and if any afforded more, some parts of the lands in corn or pasture would soon be turned to that produce.

Those productions, indeed, which require either a greater original expense of improvement, or a greater annual expense of cultivation, in order to fit the land for them, appear commonly to afford, the one a greater rent, the other a greater profit, than corn or pasture. This superiority, however, will seldom be found to amount to more than a reasonable interest or compensation for this superior expense.

In a hop garden, a fruit garden, a kitchen gar-

den, both the rent of the landlord, and the profit of the farmer, are generally greater than in a corn or grass field. But to bring the ground into this condition requires more expense. Hence a greater rent becomes due to the landlord. It requires too a more attentive and skilful management. Hence a greater profit becomes due to the farmer. The crop too, at least in the hop and fruit garden, is more precarious. Its price, therefore, besides compensating all occasional losses, must afford something like the profit of insurance. The circumstances of gardeners, generally mean, and always moderate, may satisfy us that their great ingenuity is not commonly over-recompensed. Their delightful art is practised by so many rich people for amusement, that little advantage is to be made by those who practise it for profit; because the persons who should naturally be their best customers, supply themselves with all their most precious productions.

The advantage which the landlord derives from such improvements seems at no time to have been greater than what was sufficient to compensate the original expense of making them. In the ancient husbandry, after the vineyard, a well-watered kitchen garden seems to have been the part of the farm which was supposed to yield the most valuable produce. But Democritus, who wrote upon husbandry about two thousand years ago, and who was regarded by the ancients as one of the fathers of the art, thought they did not act wisely who enclosed a kitchen garden. The profit, he said, would not

compensate the expense of a stone wall ; and bricks (he meant, I suppose, bricks baked in the sun) mouldered with the rain, and the winter storm, and required continual repairs. Columella, who reports this judgment of Democritus, does not controvert it, but proposes a very frugal method of enclosing with a hedge of brambles and briars, which, he says, he had found by experience to be both a lasting and an impenetrable fence ; but which, it seems, was not commonly known in the time of Democritus. Palladius adopts the opinion of Columella, which had before been recommended by Varro. In the judgment of those ancient improvers, the produce of a kitchen garden had, it seems, been little more than sufficient to pay the extraordinary culture and the expense of watering ; for in countries so near the sun, it was thought proper, in those times as in the present, to have the command of a stream of water, which could be conducted to every bed in the garden. Through the greater part of Europe, a kitchen garden is not at present supposed to deserve a better enclosure than that recommended by Columella. In Great Britain, and some other northern countries, the finer fruits cannot be brought to perfection but by the assistance of a wall. Their price, therefore, in such countries must be sufficient to pay the expense of building and maintaining what they cannot be had without. The fruit-wall frequently surrounds the kitchen garden, which thus enjoys the benefit of an enclosure which its own produce could seldom pay for.

That the vineyard, when properly planted and brought to perfection, was the most valuable part of the farm, seems to have been an undoubted maxim in the ancient agriculture, as it is in the modern through all the wine countries. But whether it was advantageous to plant a new vineyard, was a matter of dispute among the ancient Italian husbandmen, as we learn from Columella. He decides, like a true lover of all curious cultivation, in favour of the vineyard, and endeavours to show, by a comparison of the profit and expense, that it was a most advantageous improvement. Such comparisons, however, between the profit and expense of new projects, are commonly very fallacious; and in nothing more so than in agriculture. Had the gain actually made by such plantations been commonly as great as he imagined it might have been, there could have been no dispute about it. The same point is frequently at this day a matter of controversy in the wine countries. Their writers on agriculture, indeed, the lovers and promoters of high cultivation, seem generally disposed to decide with Columella in favour of the vineyard. In France, the anxiety of the proprietors of the old vineyards to prevent the planting of any new ones, seems to favour their opinion, and to indicate a consciousness in those who must have the experience, that this species of cultivation is at present in that country more profitable than any other. It seems at the same time, however, to indicate another opinion, that this superior profit can last no longer than the laws which at present restrain

the free cultivation of the vine. In 1731, they obtained an order of council, prohibiting both the planting of new vineyards, and the renewal of those old ones, of which the cultivation had been interrupted for two years, without a particular permission from the king, to be granted only in consequence of an information from the intendant of the province, certifying that he had examined the land, and that it was incapable of any other culture. The pretence of this order was the scarcity of corn and pasture, and the super-abundance of wine. But had this super-abundance been real, it would, without any order of council, have effectually prevented the plantation of new vineyards, by reducing the profits of this species of cultivation below their natural proportion to those of corn and pasture. With regard to the supposed scarcity of corn occasioned by the multiplication of vineyards, corn is nowhere in France more carefully cultivated than in the wine provinces, where the land is fit for producing it: as in Burgundy, Guienne, and the Upper Languedoc. The numerous hands employed in the one species of cultivation necessarily encourage the other, by affording a ready market for its produce. To diminish the number of those who are capable of paying for it, is surely a most unpromising expedient for encouraging the cultivation of corn. It is like the policy which would promote agriculture by discouraging manufactures.

The rent and profit of those productions, therefore, which require either a greater original expense of

improvement in order to fit the land for them, or a greater annual expense of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expense, are in reality regulated by the rent and profit of those common crops.

It sometimes happens, indeed, that the quantity of land which can be fitted for some particular produce, is too small to supply the effectual demand. The whole produce can be disposed of to those who are willing to give somewhat more than what is sufficient to pay the whole rent, wages and profit necessary for raising and bringing it to market, according to their natural rates, or according to the rates at which they are paid in the greater part of other cultivated land. The surplus part of the price which remains after defraying the whole expense of improvement and cultivation, may commonly, in this case, and in this case only, bear no regular proportion to the like surplus in corn or pasture, but may exceed it in almost any degree; and the greater part of this excess naturally goes to the rent of the landlord.

The usual and natural proportion, for example, between the rent and profit of wine, and those of corn and pasture, must be understood to take place only with regard to those vineyards which produce nothing but good common wine, such as can be raised almost anywhere, upon any light, gravelly, or sandy soil, and which has nothing to recommend it but its strength and wholesomeness. It is with such

vineyards only that the common land of the country can be brought into competition ; for with those of a peculiar quality it is evident that it cannot.

The vine is more affected by the difference of soils than any other fruit-tree. From some it derives a flavour which no culture or management can equal, it is supposed, upon any other. This flavour, real or imaginary, is sometimes peculiar to the produce of a few vineyards ; sometimes it extends through the greater part of a small district, and sometimes through a considerable part of a large province. The whole quantity of such wines that is brought to market falls short of the effectual demand, or the demand of those who would be willing to pay the whole rent, profit and wages necessary for preparing and bringing them thither, according to the ordinary rate, or according to the rate at which they are paid in common vineyards. The whole quantity, therefore, can be disposed of to those who are willing to pay more, which necessarily raises the price above that of common wine. The difference is greater or less, according as the fashionableness and scarcity of the wine render the competition of the buyers more or less eager. Whatever it be, the greater part of it goes to the rent of the landlord. For though such vineyards are in general more carefully cultivated than most others, the high price of the wine seems to be, not so much the effect, as the cause of this careful cultivation. In so valuable a produce the loss occasioned by negligence is so great as to force even the most careless to attention. A small part

of this high price, therefore, is sufficient to pay the wages of the extraordinary labour bestowed upon their cultivation, and the profits of the extraordinary stock which puts that labour into motion.

The sugar colonies possessed by the European nations in the West Indies, may be compared to those precious vineyards. Their whole produce falls short of the effectual demand of Europe, and can be disposed of to those who are willing to give more than what is sufficient to pay the whole rent, profit and wages necessary for preparing and bringing it to market, according to the rate at which they are commonly paid by any other produce. In Cochin China the finest white sugar generally sells for three piastres the quintal, about thirteen shillings and sixpence of our money, as we are told by M. Poivre*, a very careful observer of the agriculture of that country. What is there called the quintal weighs from a hundred and fifty to two hundred Paris pounds, or a hundred and seventy-five Paris pounds at a medium, which reduces the price of the hundred weight English to about eight shillings sterling, not a fourth part of what is commonly paid for the brown or muskavada sugars imported from our colonies, and not a sixth part of what is paid for the finest white sugar. The greater part of the cultivated lands in Cochin China are employed in producing corn and rice, the food of the great body of the people. The respective prices of corn,

* Voyages d'un Philosophe.—A.

rice, and sugar, are there probably in the natural proportion, or in that which naturally takes place in the different crops of the greater part of cultivated land, and which recompenses the landlord and farmer, as nearly as can be computed, according to what is usually the original expense of improvement and the annual expense of cultivation. But in our sugar colonies the price of sugar bears no such proportion to that of the produce of a rice or corn field either in Europe or America. It is commonly said, that a sugar planter expects that the rum and the molasses should defray the whole expense of his cultivation, and that his sugar should be all clear profit. If this be true, for I pretend not to affirm it, it is as if a corn farmer expected to defray the expense of his cultivation with the chaff and the straw, and that the grain should be all clear profit. We see frequently societies of merchants in London and other trading towns, purchase waste lands in our sugar colonies, which they expect to improve and cultivate with profit by means of factors and agents; notwithstanding the great distance and the uncertain returns, from the defective administration of justice in those countries. Nobody will attempt to improve and cultivate in the same manner the most fertile lands of Scotland, Ireland, or the corn provinces of North America, though from the more exact administration of justice in these countries, more regular returns might be expected.

In Virginia and Maryland the cultivation of tobacco is preferred, as most profitable to that of

corn. Tobacco might be cultivated with advantage through the greater part of Europe ; but in almost every part of Europe it has become a principal subject of taxation, and to collect a tax from every different farm in the country where this plant might happen to be cultivated, would be more difficult, it has been supposed, than to levy one upon its importation at the custom-house. The cultivation of tobacco has upon this account been most absurdly prohibited through the greater part of Europe, which necessarily gives a sort of monopoly to the countries where it is allowed ; and as Virginia and Maryland produce the greatest quantity of it, they share largely, though with some competitors, in the advantage of this monopoly. The cultivation of tobacco, however, seems not to be so advantageous as that of sugar. I have never even heard of any tobacco plantation that was improved and cultivated by the capital of merchants who resided in Great Britain, and our tobacco colonies send us home no such wealthy planters as we see frequently arrive from our sugar islands. Though from the preference given in those colonies to the cultivation of tobacco above that of corn, it would appear that the effectual demand of Europe for tobacco is not completely supplied, it probably is more nearly so than that for sugar ; and though the present price of tobacco is probably more than sufficient to pay the whole rent, wages, and profit necessary for preparing and bringing it to market, according to the rate at which they are commonly paid in corn land ; it must

not be so much more as the present price of sugar. Our tobacco planters, accordingly, have shown the same fear of the super-abundance of tobacco, which the proprietors of the old vineyards in France have of the super-abundance of wine. By act of assembly they have restrained its cultivation to six thousand plants, supposed to yield a thousand weight of tobacco, for every negro between sixteen and sixty years of age. Such a negro, over and above this quantity of tobacco, can manage, they reckon, four acres of Indian corn. To prevent the market from being overstocked too, they have sometimes, in plentiful years, we are told by Dr. Douglas*, (I suspect he has been ill informed,) burnt a certain quantity of tobacco for every negro, in the same manner as the Dutch are said to do of spices. If such violent methods are necessary to keep up the present price of tobacco, the superior advantage of its culture over that of corn, if it still has any, will not probably be of long continuance.

It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land. No particular produce can long afford less, because the land would immediately be turned to another use; and if any particular produce commonly affords more, it is because the quantity of land which can be fitted for it is too small to supply the effectual demand.

* Douglas's Summary, vol. ii., p. 372, 373.—A.

In Europe corn is the principal produce of land which serves immediately for human food. Except in particular situations, therefore, the rent of corn land regulates in Europe that of all other cultivated land. Britain need envy neither the vineyards of France nor the olive plantations of Italy. Except in particular situations, the value of these is regulated by that of corn, in which the fertility of Britain is not much inferior to that of either of those two countries.

If in any country the common and favourite vegetable food of the people should be drawn from a plant of which the most common land, with the same or nearly the same culture, produced a much greater quantity than the most fertile does of corn, the rent of the landlord, or the surplus quantity of food which would remain to him, after paying the labour and replacing the stock of the farmer, together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this greater surplus could always maintain a greater quantity of it, and consequently enable the landlord to purchase or command a greater quantity of it. The real value of his rent, his real power and authority, his command of the necessities and conveniencies of life with which the labour of other people could supply him, would necessarily be much greater.

A rice field produces a much greater quantity of food than the most fertile corn field. Two crops in the year from thirty to sixty bushels each, are said

to be the ordinary produce of an acre. Though its cultivation, therefore, requires more labour, a much greater surplus remains after maintaining all that labour. In those rice countries, therefore, where rice is the common and favourite vegetable food of the people, and where the cultivators are chiefly maintained with it, a greater share of this greater surplus should belong to the landlord than in corn countries. In Carolina, where the planters, as other British colonies, are generally both farmers and landlords, and where rent consequently is confounded with profit, the cultivation of rice is found to be more profitable than that of corn, though their fields produce only one crop in the year, and though, from the prevalence of the customs of Europe, rice is not there the common and favourite vegetable food of the people.

A good rice field is a bog at all seasons, and at one season a bog covered with water. It is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men: and the lands which are fit for those purposes, are not fit for rice. Even in the rice countries, therefore, the rent of rice-lands cannot regulate the rent of the other cultivated land which can never be turned to that produce.

The food produced by a field of potatoes is not inferior in quantity to that produced by a field of rice, and much superior to what is produced by a field of wheat. Twelve thousand weight of potatoes from an acre of land is not a greater produce

than two thousand weight of wheat. The food or solid nourishment, indeed, which can be drawn from each of those two plants, is not altogether in proportion to their weight, on account of the watery nature of potatoes. Allowing, however, half the weight of this root to go to water, a very large allowance, such an acre of potatoes will still produce six thousand weight of solid nourishment, three times the quantity produced by the acre of wheat. An acre of potatoes is cultivated with less expense than an acre of wheat; the fallow, which generally precedes the sowing of wheat, more than compensating the hoeing and other extraordinary culture which is always given to potatoes. Should this root ever become in any part of Europe, like rice in some rice countries, the common and favourite vegetable food of the people, so as to occupy the same proportion of the lands in tillage which wheat and other sorts of grain for human food do at present, the same quantity of cultivated land would maintain a much greater number of people, and the labourers being generally fed with potatoes, a greater surplus would remain after replacing all the stock, and maintaining all the labour employed in cultivation. A greater share of this surplus too would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present.

The land which is fit for potatoes, is fit for almost every other useful vegetable. If they occupied the same proportion of cultivated land which corn does at present, they would regulate, in the same man-

ner, the rent of the greater part of other cultivated land.

In some parts of Lancashire, it is pretended, I have been told, that bread of oatmeal is a heartier food for labouring people than wheaten bread, and I have frequently heard the same doctrine held in Scotland. I am, however, somewhat doubtful of the truth of it. The common people in Scotland, who are fed with oatmeal, are in general neither so strong nor so handsome as the same rank of people in England, who are fed with wheaten bread. They neither work so well, nor look so well; and as there is not the same difference between the people of fashion in the two countries, experience would seem to shew, that the food of the common people in Scotland is not so suitable to the human constitution as that of their neighbours of the same rank in England. But it seems to be otherwise with potatoes. The chairmen, porters, and coal-heavers in London, and those unfortunate women who live by prostitution, the strongest men and the most beautiful women perhaps in the British dominions, are said to be, the greater part of them, from the lowest rank of people in Ireland, who are generally fed with this root. No food can afford a more decisive proof of its nourishing quality, or of its being peculiarly suitable to the health of the human constitution.

It is difficult to preserve potatoes through the year, and impossible to store them like corn, for two or three years together. The fear of not being able

to sell them before they rot, discourages their cultivation, and is, perhaps, the chief obstacle to their ever becoming in any great country, like bread, the principal vegetable food of all the different ranks of the people.

PART II.

Of the Produce of Land which sometimes does, and sometimes does not, afford Rent.

HUMAN food seems to be the only produce of land which always and necessarily affords some rent to the landlord. Other sorts of produce sometimes may and sometimes may not, according to different circumstances.

After food, clothing and lodging are the two great wants of mankind.

Land in its original rude state can afford the materials of clothing and lodging to a much greater number of people than it can feed. In its improved state it can sometimes feed a greater number of people than it can supply with those materials; at least in the way in which they require them, and are willing to pay for them. In the one state, therefore, there is always a super-abundance of those materials, which are frequently, upon that account, of little or no value. In the other there is often a scarcity, which necessarily augments their value. In the one state, a great part of them is thrown away as useless, and the price of what is used is consi-

dered as equal only to the labour and expense of fitting it for use, and can, therefore, afford no rent to the landlord. In the other they are all made use of, and there is frequently a demand for more than can be had. Somebody is always willing to give more for every part of them than what is sufficient to pay the expense of bringing them to market. Their price, therefore, can always afford some rent to the landlord.

The skins of the larger animals were the original materials of clothing. Among nations of hunters and shepherds, therefore, whose food consists chiefly in the flesh of those animals, every man, by providing himself with food, provides himself with the materials of more clothing than he can wear. If there was no foreign commerce, the greater part of them would be thrown away as things of no value. This was probably the case among the hunting nations of North America, before their country was discovered by the Europeans, with whom they now exchange their surplus peltry, for blankets, firearms, and brandy, which gives it some value. In the present commercial state of the known world, the most barbarous nations, I believe, among whom land property is established, have some foreign commerce of this kind, and find among their wealthier neighbours such a demand for all the materials of clothing, which their land produces, and which can neither be wrought up nor consumed at home, as raises their price above what it costs to send them to those wealthier neighbours. It affords, therefore,

some rent to the landlord. When the greater part of the highland cattle were consumed on their own hills, the exportation of their hides made the most considerable article of the commerce of that country, and what they were exchanged for afforded some addition to the rent of the highland estates. The wool of England, which in old times could neither be consumed nor wrought up at home, found a market in the then wealthier and more industrious country of Flanders, and its price afforded something to the rent of the land which produced it. In countries not better cultivated than England was then, or than the Highlands of Scotland are now, and which had no foreign commerce, the materials of clothing would evidently be so super-abundant, that a great part of them would be thrown away as useless, and no part could afford any rent to the landlord.

The materials of lodging cannot always be transported to so great a distance as those of clothing, and do not so readily become an object of foreign commerce. When they are super-abundant in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are of no value to the landlord. A good stone quarry in the neighbourhood of London would afford a considerable rent. In many parts of Scotland and Wales it affords none. Barren timber for building is of great value in a populous and well-cultivated country, and the land which produces it affords a considerable rent. But in many parts of

North America the landlord would be much obliged to any body who would carry away the greater part of his large trees. In some parts of the Highlands of Scotland the bark is the only part of the wood which, for want of roads and water-carriage, can be sent to market. The timber is left to rot upon the ground. When the materials of lodging are so super-abundant, the part made use of is worth only the labour and expense of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The demand of wealthier nations, however, sometimes enables him to get a rent for it. The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before. The woods of Norway and of the coasts of the Baltic find a market in many parts of Great Britain which they could not find at home, and thereby afford some rent to their proprietors.

Countries are populous, not in proportion to the number of people whom their produce can clothe and lodge, but in proportion to that of those whom it can feed. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts of the British dominions what is called A House, may be built by one day's labour of one man. The simplest species of clothing, the skins of animals, require somewhat more labour to dress and prepare them for use.

They do not, however, require a great deal. Among savage or barbarous nations a hundredth or little more than the hundredth part of the labour of the whole year, will be sufficient to provide them with such clothing and lodging as satisfy the greater part of the people. All the other ninety-nine parts are frequently no more than enough to provide them with food.

But when by the improvement and cultivation of land the labour of one family can provide food for two, the labour of half the society becomes sufficient to provide food for the whole. The other half, therefore, or at least the greater part of them, can be employed in providing other things, or in satisfying the other wants and fancies of mankind. Clothing and lodging, household furniture, and what is called Equipage, are the principal objects of the greater part of those wants and fancies. The rich man consumes no more food than his poor neighbour. In quality it may be very different, and to select and prepare it may require more labour and art; but in quantity it is very nearly the same. But compare the spacious palace and great wardrobe of the one, with the hovel and the few rags of the other, and you will be sensible that the difference between their clothing, lodging, and household furniture, is almost as great in quantity as it is in quality. The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniencies and ornaments of building, dress, equipage, and household furniture,

seems to have no limit or certain boundary. Those, therefore, who have the command of more food than they themselves can consume, are always willing to exchange the surplus, or, what is the same thing, the price of it, for gratifications of this other kind. What is over and above satisfying the limited desire, is given for the amusement of those desires which cannot be satisfied, but seem to be altogether endless. The poor, in order to obtain food, exert themselves to gratify those fancies of the rich, and to obtain it more certainly, they vie with one another in the cheapness and perfection of their work. The number of workmen increases with the increasing quantity of food, or with the growing improvement and cultivation of the lands; and as the nature of their business admits of the utmost subdivisions of labour [employment], the quantity of materials which they can work up, increases in a much greater proportion than their numbers. Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth, the precious metals, and the precious stones.

Food is in this manner, not only the original source of rent, but every other part of the produce of land which afterwards affords rent, derives that part of its value from the improvement of the powers of labour in producing food by means of the improvement and cultivation of land.

Those other parts of the produce of land, however, which afterwards afford rent, do not afford it always. Even in improved and cultivated countries the demand for them is not always such as to afford a greater price than what is sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market. Whether it is or is not such, depends upon different circumstances.

Whether a coal-mine, for example, can afford any rent, depends partly upon its fertility, and partly upon its situation.

A mine of any kind may be said to be either fertile or barren, according as the quantity of mineral which can be brought from it by a certain quantity of labour, is greater or less than what can be brought by an equal quantity from the greater part of other mines of the same kind.

Some coal-mines, advantageously situated, cannot be wrought on account of their barrenness. The produce does not pay the expense. They can afford neither profit nor rent.

There are some of which the produce is barely sufficient to pay the labour, and replace, together with its ordinary profits, the stock employed in working them. They afford some profit to the undertaker of the work, but no rent to the landlord. They can be wrought advantageously by nobody but the landlord, who being himself the undertaker of the work, gets the ordinary profit of the capital which he employs in it. Many coal-mines in Scotland are

wrought in this manner, and can be wrought in no other. The landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any.

Other coal-mines in the same country, sufficiently fertile, cannot be wrought on account of their situation. A quantity of mineral, sufficient to defray the expense of working, could be brought from the mine by the ordinary, or even less than the ordinary quantity of labour : but in an inland country, thinly inhabited, and without either good roads or water-carriage, this quantity could not be sold.

Coals are a less agreeable fuel than wood : they are said to be less wholesome. The expense of coals, therefore, at the place where they are consumed, must generally be somewhat less than that of wood.

The price of wood again varies with the state of agriculture, nearly in the same manner, and exactly for the same reason, as the price of cattle. In its rude beginnings the greater part of every country is covered with wood, which is then a mere incumbrance of no value to the landlord, who would gladly give it to anybody for the cutting. As agriculture advances, the woods are partly cleared by the progress of tillage, and partly go to decay in consequence of the increased number of cattle. These, though they do not increase in the same proportion as corn, which is altogether the acquisition of human industry, yet multiply under the care and protection of men ; who store up in the season of plenty what

may maintain them in that of scarcity, who through the whole year furnish them with a greater quantity of food than uncultivated nature provides for them, and who, by destroying and extirpating their enemies, secure them in the free enjoyment of all that she provides. Numerous herds of cattle, when allowed to wander through the woods, though they do not destroy the old trees, hinder any young ones from coming up, so that in the course of a century or two the whole forest goes to ruin. The scarcity of wood then raises its price. It affords a good rent, and the landlord sometimes finds that he can scarce employ his best lands more advantageously than in growing barren timber, of which the greatness of the profit often compensates the lateness of the returns. This seems in the present times to be nearly the state of things in several parts of Great Britain, where the profit of planting is found to be equal to that of either corn or pasture. The advantage which the landlord derives from planting can nowhere exceed, at least for any considerable time, the rent which these could afford him ; and in an inland country which is highly cultivated, it will frequently not fall much short of this rent. Upon the sea-coast of a well-improved country, indeed, if coals can conveniently be had for fuel, it may sometimes be cheaper to bring barren timber for building from less cultivated foreign countries, than to raise it at home. In the new town of Edinburgh, built within these few years, there is not, perhaps, a single stick of Scotch timber.

Whatever may be the price of wood, if that of coals is such that the expense of a coal-fire is nearly equal to that of a wood one, we may be assured, that at that place, and in these circumstances, the price of coals is as high as it can be. It seems to be so in some of the inland parts of England, particularly in Oxfordshire, where it is usual, even in the fires of the common people, to mix coals and wood together, and where the difference in the expense of those two sorts of fuel cannot, therefore, be very great.

Coals, in the coal countries, are everywhere much below this highest price. If they were not, they could not bear the expense of a distant carriage, either by land or by water. A small quantity only could be sold, and the coal masters and coal proprietors find it more for their interest to sell a great quantity at a price somewhat above the lowest, than a small quantity at the highest. The most fertile coal-mine, too, regulates the price of coals at all the other mines in its neighbourhood. Both the proprietor, and the undertaker of the work find, the one that he can get a greater rent, the other that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell at the same price, though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether, both their rent and their profit. Some works are abandoned altogether; others can afford no rent, and can be wrought only by the proprietor.

The lowest price at which coals can be sold for any considerable time, is, like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. At a coal-mine for which the landlord can get no rent, but which he must either work himself or let it alone altogether, the price of coals must generally be nearly about this price.

Rent, even where coals afford one, has generally a smaller share in their price than in that of most other parts of the rude produce of land. The rent of an estate above ground commonly amounts to what is supposed to be a third of the gross produce; and it is generally a rent certain and independent of the occasional variations in the crop. In coal-mines a fifth of the gross produce is a very great rent; a tenth the common rent, and it is seldom a rent certain, but depends upon the occasional variations in the produce. These are so great, that in a country where thirty years' purchase is considered as a moderate price for the property of a landed estate, ten years' purchase is regarded as a good price for that of a coal-mine.

The value of a coal-mine to the proprietor frequently depends as much upon its situation as upon its fertility. That of a metallic mine depends more upon its fertility, and less upon its situation. The coarse, and still more the precious metals, when separated from the ore, are so valuable, that they can generally bear the expense of a very long land, and

of the most distant sea carriage. Their market is not confined to the countries in the neighbourhood of the mine, but extends to the whole world. The copper of Japan makes an article of commerce in Europe; the iron of Spain in that of Chili and Peru. The silver of Peru finds its way, not only to Europe, but from Europe to China.

The price of coals in Westmoreland or Shropshire can have little effect on their price at Newcastle; and their price in the Llonnois can have none at all. The productions of such distant coal-mines can never be brought into competition with one another. But the productions of the most distant metallic mines frequently may, and in fact commonly are. The price, therefore, of the coarse, and still more that of the precious metals, at the most fertile mines in the world, must necessarily more or less affect their price at every other in it. The price of copper in Japan must have some influence upon its price at the copper mines in Europe. The price of silver in Peru, or the quantity either of labour or of other goods which it will purchase there, must have some influence on its price, not only at the silver mines of Europe, but at those of China. After the discovery of the mines of Peru, the silver mines of Europe were, the greater part of them, abandoned. The value of silver was so much reduced, that their produce could no longer pay the expense of working them, or replace, with a profit, the food, clothes, lodging, and other necessities which were consumed in that operation. This was

the case too with the mines of Cuba and St. Domingo, and even with the ancient mines of Peru, after the discovery of those of Potosi.

The price of every metal at every mine, therefore, being regulated in some measure by its price at the most fertile mine in the world that is actually wrought, it can at the greater part of mines do very little more than pay the expense of working, and can seldom afford a very high rent to the landlord. Rent, accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still smaller in that of the precious metals. Labour and profit make up the greater part of both.

A sixth part of the gross produce may be reckoned the average rent of the tin mines of Cornwall, the most fertile that are known in the world, as we are told by the Rev. Mr. Borlace, vice-warden of the stannaries. Some, he says, afford more, and some do not afford so much. A sixth part of the gross produce is the rent too of several very fertile lead mines in Scotland.

In the silver mines of Peru, we are told by Frezier and Ulloa, the proprietor frequently exacts no other acknowledgment from the undertaker of the mine, but that he will grind the ore at his mill, paying him the ordinary mulcture or price of grinding. Till 1736, indeed, the tax of the King of Spain amounted to one-fifth of the standard silver, which till then might be considered as the real rent of the greater part of the silver mines of Peru, the richest which

have been known in the world. If there had been no tax, this fifth would naturally have belonged to the landlord, and many mines might have been wrought which could not then be wrought, because they could not afford this tax. The tax of the Duke of Cornwall upon tin is supposed to amount to more than five per cent., or one-twentieth part of the value; and whatever may be his proportion, it would naturally too belong to the proprietor of the mine, if tin was duty free. But if you add one-twentieth to one-sixth, you will find that the whole average rent of the tin mines of Cornwall was, to the whole average rent of the silver mines of Peru, as thirteen to twelve. But the silver mines of Peru are not now able to pay even this low rent, and the tax upon silver was, in 1736, reduced from one-fifth to one-tenth. Even this tax upon silver too gives more temptation to smuggling than the tax of one-twentieth upon tin; and smuggling must be much easier in the precious than in the bulky commodity. The tax of the King of Spain accordingly is said to be very ill paid, and that of the Duke of Cornwall very well. Rent, therefore, it is probable, makes a greater part of the price of tin at the most fertile tin mines, than it does of silver at the most fertile silver mines in the world. After replacing the stock employed in working those different mines, together with its ordinary profits, the residue which remains to the proprietor, is greater it seems in the coarse, than in the precious metal.

Neither are the profits of the undertakers of silver

mines commonly very great in Peru. The same most respectable and well informed authors acquaint us, that when any person undertakes to work a new mine in Peru, he is universally looked upon as a man destined to bankruptcy and ruin, and is upon that account shunned and avoided by every body. Mining, it seems, is considered there in the same light as here, as a lottery, in which the prizes do not compensate the blanks, though the greatness of some tempts many adventurers to throw away their fortunes in such unprosperous projects.

As the sovereign, however, derives a considerable part of his revenue from the produce of silver mines, the law in Peru gives every possible encouragement to the discovery and working of new ones. Whoever discovers a new mine, is entitled to measure off two hundred and forty-six feet in length, according to what he supposes to be the direction of the vein, and half as much in breadth. He becomes proprietor of this portion of the mine, and can work it without paying any acknowledgment to the landlord. The interest of the Duke of Cornwall has given occasion to a regulation nearly of the same kind in that ancient duchy. In waste and unclosed lands any person who discovers a tin mine, may mark out its limits to a certain extent, which is called bounding a mine. The boulder becomes the real proprietor of the mine, and may either work it himself, or give it in lease to another, without the consent of the owner of the land, to whom, however, a very small acknowledgment must be paid upon

working it. In both regulations the sacred rights of private property are sacrificed to the supposed interests of public revenue.

The same encouragement is given in Peru to the discovery and working of new gold mines; and in gold the king's tax amounts only to a twentieth part of the standard metal. It was once a fifth, and afterwards a tenth, as in silver; but it was found that the work could not bear even the lowest of these two taxes. If it is rare, however, say the same authors, Frezier and Ulloa, to find a person who has made his fortune by a silver, it is still much rarer to find one who has done so by a gold mine. This twentieth part seems to be the whole rent which is paid by the greater part of the gold mines of Chili and Peru. Gold too is much more liable to be smuggled than even silver; not only on account of the superior value of the metal in proportion to its bulk, but on account of the peculiar way in which nature produces it. Silver is very seldom found virgin, but, like most other metals, is generally mineralized with some other body, from which it is impossible to separate it in such quantities as will pay for the expense, but by a very laborious and tedious operation, which cannot well be carried on but in workhouses erected for the purpose, and therefore exposed to the inspection of the king's officers. Gold, on the contrary, is almost always found virgin. It is sometimes found in pieces of some bulk; and even when mixed in small and almost insensible particles with sand, earth, and other extraneous bodies, it can

be separated from them by a very short and simple operation, which can be carried on in any private house by any body who is possessed of a small quantity of mercury. If the king's tax, therefore, is but ill paid upon silver, it is likely to be much worse paid upon gold ; and rent must make a much smaller part of the price of gold, than even of that of silver.

The lowest price at which the precious metals can be sold, or the smallest quantity of other goods for which they can be exchanged during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, clothes and lodging which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least be sufficient to replace that stock, with the ordinary profits.

Their highest price, however, seems not to be necessarily determined by anything but the actual scarcity or plenty of those metals themselves. It is not determined by that of any other commodity, in the same manner as the price of coals is by that of wood, beyond which no scarcity can ever raise it. Increase the scarcity of gold to a certain degree, and the smallest bit of it may become more precious than a diamond, and exchange for a greater quantity of other goods.

The demand for those metals arises partly from their utility, and partly from their beauty. If you except iron, they are more useful than, perhaps, any other metal. As they are less liable to rust and im-

purity, they can more easily be kept clean ; and the utensils either of the table or the kitchen are often upon that account more agreeable when made of them. A silver boiler is more cleanly than a lead, copper, or tin one ; and the same quality would render a gold boiler still better than a silver one. Their principal merit, however, arises from their beauty, which renders them peculiarly fit for the ornaments of dress and furniture. No paint or dye can give so splendid a colour as gilding. The merit of their beauty is greatly enhanced by their scarcity. With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eye is never so complete as when they appear to possess those decisive marks of opulence which nobody can possess but themselves. In their eyes the merit of an object which is in any degree either useful or beautiful, is greatly enhanced by its scarcity, or by the great labour which it requires to collect any considerable quantity of it, a labour which nobody can afford to pay but themselves. Such objects they are willing to purchase at a higher price than things much more beautiful and useful, but more common. These qualities of utility, beauty, and scarcity, are the original foundation of the high price of those metals, or of the great quantity of other goods for which they can everywhere be exchanged. This value was antecedent to and independent of their being employed as coin, and was the quality which fitted them for that employment. That employment, however, by occasion-

ing a new demand, and by diminishing the quantity which could be employed in any other way, may have afterwards contributed to keep up or increase their value.

The demand for the precious stones arises altogether from their beauty. They are of no use, but as ornaments; and the merit of their beauty is greatly enhanced by their scarcity, or by the difficulty and expense of getting them from the mine. Wages and profit accordingly make up, upon most occasions, almost the whole of their high price. Rent comes in but for a very small share; frequently for no share; and the most fertile mines only afford any considerable rent. When Tavernier, a jeweller, visited the diamond mines of Golconda and Visiapour, he was informed that the sovereign of the country, for whose benefit they were wrought, had ordered all of them to be shut up, except those which yielded the largest and finest stones. The others, it seems, were to the proprietor not worth the working.

As the price both of the precious metals and of the precious stones is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its absolute, but to what may be called its relative fertility, or to its superiority over other mines of the same kind. If new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render

even the mines of Potosi not worth the working. Before the discovery of the Spanish West Indies, the most fertile mines in Europe may have afforded as great a rent to their proprietor as the richest mines in Peru do at present. Though the quantity of silver was much less, it might have exchanged for an equal quantity of other goods, and the proprietor's share might have enabled him to purchase or command an equal quantity either of labour or of commodities. The value both of the produce and of the rent, the real revenue which they afforded both to the public and to the proprietor, might have been the same.

The most abundant mines either of the precious metals or of the precious stones could add little to the wealth of the world. A produce of which the value is principally derived from its scarcity, is necessarily degraded by its abundance. A service of plate, and the other frivolous ornaments of dress and furniture, could be purchased for a smaller quantity of labour, or for a smaller quantity of commodities; and in this would consist the sole advantage which the world could derive from that abundance.

It is otherwise in estates above ground. The value both of their produce and of their rent is in proportion to their absolute, and not to their relative fertility. The land which produces a certain quantity of food, clothes, and lodging, can always feed, clothe, and lodge a certain number of people; and whatever may be the proportion of the landlord, it

will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him. The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands afford a market to many parts of the produce of the barren, which they could never have found among those whom their own produce could maintain.

Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed, but contributes likewise to increase that of many other lands, by creating a new demand for their produce. That abundance of food, of which, in consequence of the improvement of land, many people have the disposal beyond what they themselves can consume, is the great cause of the demand both for the precious metals and the precious stones, as well as for every other conveniency and ornament of dress, lodging, household furniture, and equipage. Food not only constitutes the principal part of the riches of the world, but it is the abundance of food which gives the principal part of their value to many other sorts of riches. The poor inhabitants of Cuba and St. Domingo, when they were first discovered by the Spaniards, used to wear little bits of gold as ornaments in their hair and other parts of their dress. They seemed to value them as we would do any little pebbles of somewhat more than ordinary beauty, and

to consider them as just worth the picking up, but not worth the refusing to anybody who asked them. They gave them to their new guests at the first request, without seeming to think that they had made them any very valuable present. They were astonished to observe the rage of the Spaniards to obtain them; and had no notion that there could anywhere be a country in which many people had the disposal of so great a superfluity of food, so scanty always among themselves, that for a very small quantity of those glittering baubles they would willingly give as much as might maintain a whole family for many years. Could they have been made to understand this, the passion of the Spaniards would not have surprised them.

α. PART III.

Of the Variations in the Proportion between the respective Values of that Sort of Produce which always affords Rent, and of that which sometimes does and sometimes does not afford Rent.

THE increasing abundance of food, in consequence of increasing improvement and cultivation, must necessarily increase the demand for every part of the produce of land which is not food, and which can be applied either to use or to ornament. In the whole progress of improvement, it might therefore be expected there should be only one variation in

the comparative values of those two different sorts of produce. The value of that sort which sometimes does and sometimes does not afford rent, should constantly rise in proportion to that which always affords some rent. As art and industry advance, the materials of clothing and lodging, the useful fossils and minerals of the earth, the precious metals and the precious stones should gradually come to be more and more in demand, should gradually exchange for a greater and a greater quantity of food, or, in other words, should gradually become dearer and dearer. This accordingly has been the case with most of these things upon most occasions, and would have been the case with all of them upon all occasions, if particular accidents had not upon some occasions increased the supply of some of them in a still greater proportion than the demand.

The value of a free-stone quarry, for example, will necessarily increase with the increasing improvement and population of the country round about it, especially if it should be the only one in the neighbourhood. But the value of a silver mine, even though there should not be another within a thousand miles of it, will not necessarily increase with the improvement of the country in which it is situated. The market for the produce of a free-stone quarry can seldom extend more than a few miles round about it, and the demand must generally be in proportion to the improvement and population of that small district. But the market for the produce of a silver mine may extend over the whole

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known world. Unless the world in general, therefore, be advancing in improvement and population, the demand for silver might not be at all increased by the improvement even of a large country in the neighbourhood of the mine. Even though the world in general were improving, yet, if in the course of its improvement, new mines should be discovered, much more fertile than any which had been known before, though the demand for silver would necessarily increase, yet the supply might increase in so much a greater proportion, that the real price of that metal might gradually fall; that is, any given quantity, a pound weight of it, for example, might gradually purchase or command a smaller and a smaller quantity of labour, or exchange for a smaller and a smaller quantity of corn, the principal part of the subsistence of the labourer.

The great market for silver is the commercial and civilized part of the world.

If by the general progress of improvement the demand of this market should increase, while at the same time the supply did not increase in the same proportion, the value of silver would gradually rise in proportion to that of corn. Any given quantity of silver would exchange for a greater and a greater quantity of corn; or, in other words, the average money price of corn would gradually become cheaper and cheaper.

If, on the contrary, the supply, by some accident, should increase for many years together in a greater proportion than the demand, that metal would gra-

dually become cheaper and cheaper ; or, in other words, the average money price of corn would, in spite of all improvements, gradually become dearer and dearer.

But if, on the other hand, the supply of the metal should increase nearly in the same proportion as the demand, it would continue to purchase or exchange for nearly the same quantity of corn, and the average money price of corn would, in spite of all improvements, continue very nearly the same.

These three seem to exhaust all the possible combinations of events which can happen in the progress of improvement ; and during the course of the four centuries preceding the present, if we may judge by what has happened both in France and Great Britain, each of those three different combinations seem to have taken place in the European market, and nearly in the same order too in which I have here set them down.

Digression concerning the Variations in the Value of Silver during the Course of the Four last Centuries.*

FIRST PERIOD.

IN 1350, and for some time before, the average price of the quarter of wheat in England seems not

* The greater part of this long Digression belongs, it will be seen, rather to the subject of Exchangeable Value than to that of Rent.—E.

to have been estimated lower than four ounces of silver, Tower-weight, equal to about twenty shillings of our present money. From this price it seems to have fallen gradually to two ounces of silver, equal to about ten shillings of our present money, the price at which we find it estimated in the beginning of the sixteenth century, and at which it seems to have continued to be estimated till about 1570.

In 1350, being the 25th of Edward III., was enacted what is called The Statute of Labourers. In the preamble it complains much of the insolence of servants, who endeavoured to raise their wages upon their masters. It therefore ordains, that all servants and labourers should for the future be contented with the same wages and liveries (liveries in those times signified, not only clothes, but provisions) which they had been accustomed to receive in the 20th year of the king, and the four preceding years; that upon this account their livery-wheat should nowhere be estimated higher than ten-pence a bushel, and that it should always be in the option of the master to deliver them either the wheat or the money. Ten-pence a bushel, therefore, had, in the 25th of Edward III., been reckoned a very moderate price of wheat, since it required a particular statute to oblige servants to accept of it in exchange for their usual livery of provisions; and it had been reckoned a reasonable price ten years before that, or in the 16th year of the king, the term to which the statute refers. But in the 16th year of Edward III. ten-pence contained about half an ounce of silver,

Tower-weight, and was nearly equal to half a crown of our present money. Four ounces of silver, Tower-weight, therefore, equal to six shillings and eight-pence of the money of those times, and to near twenty shillings of that of the present, must have been reckoned a moderate price for the quarter of eight bushels.

This statute is surely a better evidence of what was reckoned in those times a moderate price of grain, than the prices of some particular years which have generally been recorded by historians and other writers on account of their extraordinary dearness or cheapness, and from which, therefore, it is difficult to form any judgment concerning what may have been the ordinary price. There are, besides, other reasons for believing that in the beginning of the fourteenth century, and for some time before, the common price of wheat was not less than four ounces of silver the quarter, and that of other grain in proportion.

In 1309, Ralph de Born, prior of St. Augustine's, Canterbury, gave a feast upon his installation-day, of which William Thorn has preserved, not only the bill of fare, but the prices of many particulars. In that feast were consumed, 1st, Fifty-three quarters of wheat, which cost nineteen pounds, or seven shillings and two-pence a quarter, equal to about one-and-twenty shillings and sixpence of our present money; 2dly, Fifty-eight quarters of malt, which cost seventeen pounds ten shillings, or six shillings a quarter, equal to about eighteen shillings of our

present money; 3dly, Twenty quarters of oats, which cost four pounds, or four shillings a quarter, equal to about twelve shillings of our present money. The prices of malt and oats seem here to be higher than their ordinary proportion to the price of wheat.

These prices are not recorded on account of their extraordinary dearness or cheapness, but are mentioned accidentally, as the prices actually paid for large quantities of grain consumed at a feast which was famous for its magnificence.

In 1262, being the 51st of Henry III., was revived an ancient statute called *The Assize of Bread and Ale*, which, the king says in the preamble, had been made in the times of his progenitors, some time kings of England. It is probably, therefore, as old at least as the time of his grandfather Henry II., and may have been as old as the conquest. It regulates the price of bread according as the prices of wheat may happen to be, from one shilling to twenty shillings the quarter of the money of those times. But statutes of this kind are generally presumed to provide with equal care for all deviations from the middle price, for those below it as well as for those above it. Ten shillings, therefore, containing six ounces of silver, Tower-weight, and equal to about thirty shillings of our present money, must, upon this supposition, have been reckoned the middle price of the quarter of wheat when this statute was first enacted, and must have continued to be so in the 51st of Henry III. We cannot therefore be very

wrong in supposing that the middle price was not less than one-third of the highest price at which this statute regulates the price of bread, or than six shillings and eight-pence of the money of those times, containing four ounces of silver, Tower-weight.

From these different facts, therefore, we seem to have some reason to conclude, that about the middle of the fourteenth century, and for a considerable time before, the average or ordinary price of the quarter of wheat was not supposed to be less than four ounces of silver, Tower-weight.

From about the middle of the fourteenth to the beginning of the sixteenth century, what was reckoned the reasonable and moderate, that is the ordinary or average price of wheat, seems to have sunk gradually to about one-half of this price; so as at last to have fallen to about two ounces of silver, Tower-weight, equal to about ten shillings of our present money. It continued to be estimated at this price till about 1570.

In the household book of Henry, the fifth earl of Northumberland, drawn up in 1512, there are two different estimations of wheat. In one of them it is computed at six shillings and eight-pence the quarter, in the other at five shillings and eight-pence only. In 1512, six shillings and eight-pence contained only two ounces of silver, Tower-weight, and were equal to about ten shillings of our present money.

From the 25th of Edward III., to the beginning of the reign of Elizabeth, during the space of more

than two hundred years, six shillings and eight-pence, it appears from several different statutes, had continued to be considered as what is called the moderate and reasonable, that is the ordinary or average price of wheat. The quantity of silver, however, contained in that nominal sum was, during the course of this period, continually diminishing, in consequence of some alterations which were made in the coin. But the increase of the value of silver had, it seems, so far compensated the diminution of the quantity of it contained in the same nominal sum, that the legislature did not think it worth while to attend to this circumstance.

Thus in 1436 it was enacted, that wheat might be exported without a license when the price was so low as six shillings and eight-pence; and in 1463 it was enacted that no wheat should be imported if the price was not above six shillings and eight-pence the quarter. The legislature had imagined, that when the price was so low, there could be no inconvenience in exportation, but that when it rose higher, it became prudent to allow of importation. Six shillings and eight-pence, therefore, containing about the same quantity of silver as thirteen shillings and four-pence of our present money (one-third part less than the same nominal sum contained in the time of Edward III.), had in those times been considered as what is called the moderate and reasonable price of wheat.

In 1554, by the 1st and 2d of Philip and Mary; and in 1558, by the 1st of Elizabeth, the exportation

of wheat was in the same manner prohibited, whenever the price of the quarter should exceed six shillings and eight-pence, which did not then contain two pennyworth more silver than the same nominal sum does at present. But it had soon been found that to restrain the exportation of wheat till the price was so very low, was, in reality, to prohibit it altogether. In 1562, therefore, by the 5th of Elizabeth, the exportation of wheat was allowed from certain ports whenever the price of the quarter should not exceed ten shillings, containing nearly the same quantity of silver as the like nominal sum does at present. This price had at this time, therefore, been considered as what is called the moderate and reasonable price of wheat. It agrees nearly with the estimation of the Northumberland book in 1512.

That in France the average price of grain was, in the same manner, much lower in the end of the fifteenth and beginning of the sixteenth century, than in the two centuries preceding, has been observed both by M. Duprè de St. Maur, and by the elegant author of the Essay on the police of grain. Its price, during the same period, had probably sunk in the same manner through the greater part of Europe.

This rise in the value of silver, in proportion to that of corn, may either have been owing altogether to the increase of the demand for that metal, in consequence of increasing improvement and cultivation, the supply in the mean time continuing the same as before: Or, the demand continuing the same as before, it may have been owing altogether to the

gradual diminution of the supply ; the greater part of the mines which were then known in the world, being much exhausted, and consequently the expense of working them much increased : or it may have been owing partly to the one and partly to the other of those two circumstances. In the end of the fifteenth and beginning of the sixteenth centuries, the greater part of Europe was approaching towards a more settled form of government than it had enjoyed for several ages before. The increase of security would naturally increase industry and improvement ; and the demand for the precious metals, as well as for every other luxury and ornament, would naturally increase with the increase of riches. A greater annual produce would require a greater quantity of coin to circulate it ; and a greater number of rich people would require a greater quantity of plate and other ornaments of silver. It is natural to suppose too, that the greater part of the mines which then supplied the European market with silver, might be a good deal exhausted, and have become more expensive in the working. They had been wrought many of them from the time of the Romans.

It has been the opinion, however, of the greater part of those who have written upon the prices of commodities in ancient times, that, from the Conquest, perhaps from the invasion of Julius Cæsar, till the discovery of the mines of America, the value of silver was continually diminishing. This opinion they seem to have been led into, partly by the obser-

vations which they had occasion to make upon the prices both of corn and of some other parts of the rude produce of land; and partly by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases.

In their observations upon the prices of corn, three different circumstances seem frequently to have misled them.

First, in ancient times, almost all rents were paid in kind; in a certain quantity of corn, cattle, poultry, &c. It sometimes happened, however, that the landlord would stipulate, that he should be at liberty to demand of the tenant, either the annual payment in kind, or a certain sum of money instead of it. The price at which the payment in kind was in this manner exchanged for a certain sum of money, is in Scotland called the conversion price. As the option is always in the landlord to take either the substance or the price, it is necessary for the safety of the tenant, that the conversion price should rather be below than above the average market price. In many places, accordingly, it is not much above one half of this price. Through the greater part of Scotland this custom still continues with regard to poultry, and in some places with regard to cattle. It might probably have continued to take place too with regard to corn, had not the institution of the public fiars put an end to it. These are annual valuations according to the judgment of an assize, of the average price of all the different sorts of grain,

and of all the different qualities of each, according to the actual market price in every different county. This institution rendered it sufficiently safe for the tenant, and much more convenient for the landlord, to convert, as they call it, the corn rent, rather at what should happen to be the price of the fiars of each year, than at any certain fixed price. But the writers who have collected the prices of corn in ancient times seem frequently to have mistaken what is called in Scotland the conversion price for the actual market price. Fleetwood acknowledges, upon one occasion, that he had made this mistake. As he wrote his book, however, for a particular purpose, he does not think proper to make this acknowledgment till after transcribing this conversion price fifteen times. The price is eight shillings the quarter of wheat. This sum in 1423, the year at which he begins with it, contained the same quantity of silver as sixteen shillings of our present money. But in 1562, the year at which he ends with it, it contained no more than the same nominal sum does at present.

Secondly, they have been misled by the slovenly manner in which some ancient statutes of assize had been sometimes transcribed by lazy copiers; and sometimes, perhaps, actually composed by the legislature.

The ancient statutes of assize seem to have begun always with determining what ought to be the price of bread and ale when the price of wheat and barley were at the lowest, and to have proceeded gradually to determine what it ought to be, according as the

prices of those two sorts of grain should gradually rise above this lowest price. But the transcribers of those statutes seem frequently to have thought it sufficient to copy the regulation as far as the three or four first and lowest prices; saving in this manner their own labour, and judging, I suppose, that this was enough to show what proportion ought to be observed in all higher prices.

Thus in the assize of bread and ale, of the 51st of Henry III., the price of bread was regulated according to the different prices of wheat, from one shilling to twenty shillings the quarter, of the money of those times. But in the manuscripts from which all the different editions of the statutes, preceding that of Mr. Ruffhead, were printed, the copiers had never transcribed this regulation beyond the price of twelve shillings. Several writers, therefore, being misled by this faulty transcription, very naturally concluded that the middle price, or six shillings the quarter, equal to about eighteen shillings of our present money, was the ordinary or average price of wheat at that time.

In the statute of Tumbrel and Pillory, enacted nearly about the same time, the price of ale is regulated according to every sixpence rise in the price of barley, from two shillings to four shillings the quarter. That four shillings, however, was not considered as the highest price to which barley might frequently rise in those times, and that these prices were only given as an example of the proportion which ought to be observed in all other prices, whether higher or

lower, we may infer from the last words of the statute: "*Et sic deinceps crescetur vel diminuetur per sex denarios.*" The expression is very slovenly, but the meaning is plain enough; "That the price of ale is in this manner to be increased or diminished according to every sixpence rise or fall in the price of barley." In the composition of this statute the legislature itself seems to have been as negligent as the copiers were in the transcription of the other.

In an ancient manuscript of the *Regiam Majestatem*, an old Scotch law-book, there is a statute of assize, in which the price of bread is regulated according to all the different prices of wheat, from ten-pence to three shillings the Scotch boll, equal to about half an English quarter. Three shillings Scotch, at the time when this assize is supposed to have been enacted, were equal to about nine shillings sterling of our present money. Mr. Ruddiman seems * to conclude from this, that three shillings was the highest price to which wheat ever rose in those times, and that ten-pence, a shilling, or at most two shillings, were the ordinary prices. Upon consulting the manuscript, however, it appears evidently, that all these prices are only set down as examples of the proportion which ought to be observed between the respective prices of wheat and bread. The last words of the statute are, "*reliqua judicabis secundum præscripta habendo respectum*

* See his Preface to Anderson's *Diplomata Scotie*.—A.

“ad pretium bladi.” “You shall judge of the remaining cases according to what is above written having a respect to the price of corn.”

Thirdly, they seem to have been misled too by the very low price at which wheat was sometimes sold in very ancient times; and to have imagined, that as its lowest price was then much lower than in later times, its ordinary price must likewise have been much lower. They might have found, however, that in those ancient times, its highest price was fully as much above, as its lowest price was below anything that had ever been known in later times. Thus in 1270, Fleetwood gives us two prices of the quarter of wheat. The one is four pounds sixteen shillings of the money of those times, equal to fourteen pounds eight shillings of that of the present; the other is six pounds eight shillings, equal to nineteen pounds four shillings of our present money. No price can be found in the end of the fifteenth; or beginning of the sixteenth century, which approaches to the extravagance of these. The price of corn, though at all times liable to variation, varies most in those turbulent and disorderly societies, in which the interruption of all commerce and communication hinders the plenty of one part of the country from relieving the scarcity of another. In the disorderly state of England under the Plantagenets, who governed it from about the middle of the twelfth, till towards the end of the fifteenth century, one district might be in plenty, while another at no great distance, by having its crop destroyed

either by some accident of the seasons, or by the incursion of some neighbouring baron, might be suffering all the horrors of a famine; and yet if the lands of some hostile lord were interposed between them, the one might not be able to give the least assistance to the other. Under the vigorous administration of the Tudors, who governed England during the latter part of the fifteenth, and through the whole of the sixteenth century, no baron was powerful enough to dare to disturb the public security.

The reader will find at the end of this chapter all the prices of wheat which have been collected by Fleetwood from 1202 to 1597, both inclusive, reduced to the money of the present times, and digested according to the order of time, into seven divisions of twelve years each. At the end of each division too, he will find the average price of the twelve years of which it consists. In that long period of time, Fleetwood has been able to collect the prices of no more than eighty years, so that four years are wanting to make out the last twelve years. I have added, therefore, from the accounts of Eton College, the prices of 1598, 1599, 1600, and 1601. It is the only addition which I have made. The reader will see, that from the beginning of the thirteenth, till after the middle of the sixteenth century, the average price of each twelve years grows gradually lower and lower; and that towards the end of the sixteenth century it begins to rise again. The prices, indeed, which Fleetwood has been able to

collect, seem to have been those chiefly which were remarkable for extraordinary dearness or cheapness ; and I do not pretend that any very certain conclusion can be drawn from them. So far, however, as they prove anything at all, they confirm the account which I have been endeavouring to give. Fleetwood himself, however, seems, with most other writers, to have believed, that during all this period the value of silver, in consequence of its increasing abundance, was continually diminishing. The prices of corn, which he himself has collected, certainly do not agree with this opinion. They agree perfectly with that of Mr. Duprè de St. Maur, and with that which I have been endeavouring to explain. Bishop Fleetwood and Mr. Duprè de St. Maur are the two authors who seem to have collected, with the greatest diligence and fidelity, the prices of things in ancient times. It is somewhat curious that, though their opinions are so very different, their facts, so far as they relate to the price of corn at least, should coincide so very exactly.

It is not, however, so much from the low price of corn, as from that of some other parts of the rude produce of land, that the most judicious writers have inferred the great value of silver in those very ancient times. Corn, it has been said, being a sort of manufacture, was, in those rude ages, much dearer in proportion than the greater part of other commodities ; it is meant, I suppose, than the greater part of unmanufactured commodities,—such as cattle, poultry, game of all kinds, &c. That in those

times of poverty and barbarism these were proportionably much cheaper than corn, is undoubtedly true. But this cheapness was not the effect of the high value of silver, but of the low value of those commodities. It was not because silver would in such times purchase or represent a greater quantity of labour, but because such commodities would purchase or represent a much smaller quantity than in times of more opulence and improvement. Silver must certainly be cheaper in Spanish America than in Europe; in the country where it is produced, than in the country to which it is brought, at the expense of a long carriage both by land and by sea, of a freight and an insurance. One-and-twenty pence halfpenny sterling, however, we are told by Ulloa, was, not many years ago, at Buenos Ayres, the price of an ox chosen from a herd of three or four hundred. Sixteen shillings sterling, we are told by Mr. Byron, was the price of a good horse in the capital of Chili. In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, &c. as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity. The low money price for which they may be sold, is no proof that the real value of silver is there very high, but that the real value of those commodities is very low.

Labour, it must always be remembered, and not any particular commodity, or set of commodities, is

the real measure of the value both of silver and of all other commodities.

But in countries almost waste, or but thinly inhabited, cattle, poultry, game of all kinds, &c. as they are the spontaneous productions of nature, so she frequently produces them in much greater quantities than the consumption of the inhabitants requires. In such a state of things the supply commonly exceeds the demand. In different states of society, in different stages of improvement, therefore, such commodities will represent, or be equivalent to, very different quantities of labour.

In every state of society, in every stage of improvement, corn is the production of human industry. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. In every different stage of improvement, besides, the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour; or, what comes to the same thing, the price of nearly equal quantities; the continual increase of the productive powers of labour, in an improved state of cultivation, being more or less counterbalanced by the continual increasing price of cattle, the principal instruments of agriculture. Upon all these accounts, therefore, we may rest assured, that equal quantities of corn will, in every state of society, in every stage of improvement, more nearly represent,

or be equivalent to, equal quantities of labour, than equal quantities of any other part of the rude produce of land. Corn, accordingly, it has already been observed is, in all the different stages of wealth and improvement, a more accurate measure of value than any other commodity or set of commodities. In all those different stages, therefore, we can judge better of the real value of silver, by comparing it with corn, than by comparing it with any other commodity, or set of commodities.

Corn, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilized country, the principal part of the subsistence of the labourer. In consequence of the extension of agriculture, the land of every country produces a much greater quantity of vegetable than of animal food, and the labourer everywhere lives chiefly upon the wholesome food that is cheapest and most abundant. Butcher's-meat, except in the most thriving countries, or where labour is most highly rewarded, makes but an insignificant part of his subsistence; poultry makes a still smaller part of it, and game no part of it. In France, and even in Scotland, where labour is somewhat better rewarded than in France, the labouring poor seldom eat butcher's-meat, except upon holidays, and other extraordinary occasions. The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labourer, than upon that of butcher's-meat, or of any other part of the rude produce of land. The real value

of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity, of corn which they can purchase or command, than upon that of butcher's-meat, or any other part of the rude produce of land.

Such slight observations, however, upon the prices either of corn or of other commodities, would not probably have misled so many intelligent authors, had they not been influenced, at the same time, by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases. This notion, however, seems to be altogether groundless.

The quantity of the precious metals may increase in any country from two different causes: either, first, from the increased abundance of the mines which supply it; or, secondly, from the increased wealth of the people, from the increased produce of their annual labour. The first of these causes is no doubt necessarily connected with the diminution of the value of the precious metals; but the second is not.

When more abundant mines are discovered, a greater quantity of the precious metals is brought to market, and the quantity of the necessities and conveniences of life for which they must be exchanged being the same as before, equal quantities of the metals must be exchanged for smaller quantities of commodities. So far, therefore, as the in-

crease of the quantity of the precious metals in any country arises from the increased abundance of the mines, it is necessarily connected with some diminution of their value.

When, on the contrary, the wealth of any country increases, when the annual produce of its labour becomes gradually greater and greater, a greater quantity of coin becomes necessary in order to circulate a greater quantity of commodities: and the people, as they can afford it, as they have more commodities to give for it, will naturally purchase a greater and a greater quantity of plate. The quantity of their coin will increase from necessity; the quantity of their plate from vanity and ostentation, or from the same reason that the quantity of fine statues, pictures, and of every other luxury and curiosity, is likely to increase among them. But as statuary and painters are not likely to be worse rewarded in times of wealth and prosperity, than in times of poverty and depression, so gold and silver are not likely to be worse paid for.

The price of gold and silver, when the accidental discovery of more abundant mines does not keep it down, as it naturally rises with the wealth of every country, so, whatever be the state of the mines, it is at all times naturally higher in a rich than in a poor country. Gold and silver, like all other commodities, naturally seek the market where the best price is given for them, and the best price is commonly given for everything in the country which can best afford it. Labour, it must be remembered, is the

ultimate price which is paid for everything, and in countries where labour is equally well rewarded, the money price of labour will be in proportion to that of the subsistence of the labourer. But gold and silver will naturally exchange for a greater quantity of subsistence in a rich than in a poor country, in a country which abounds with subsistence, than in one which is but indifferently supplied with it. If the two countries are at a great distance, the difference may be very great; because though the metals naturally fly from the worse to the better market, yet it may be difficult to transport them in such quantities as to bring their price nearly to a level in both. If the countries are near, the difference will be smaller, and may sometimes be scarce perceptible; because in this case the transportation will be easy. China is a much richer country than any part of Europe, and the difference between the price of subsistence in China and in Europe is very great. Rice in China is much cheaper than wheat is anywhere in Europe. England is a much richer country than Scotland; but the difference between the money price of corn in those two countries is much smaller, and is but just perceptible. In proportion to the quantity or measure, Scotch corn generally appears to be a good deal cheaper than English; but in proportion to its quality, it is certainly somewhat dearer. Scotland receives almost every year very large supplies from England, and every commodity must commonly be somewhat dearer in the country to which it is brought than in that from

which it comes. English corn, therefore, must be dearer in Scotland than in England, and yet in proportion to its quality, or to the quantity and goodness of the flour or meal which can be made from it, it cannot commonly be sold higher there than the Scotch corn which comes to market in competition with it.

The difference between the money price of labour in China and in Europe is still greater than that between the money price of subsistence ; because the real recompense of labour is higher in Europe than in China, the greater part of Europe being in an improving state, while China seems to be standing still. The money price of labour is lower in Scotland than in England, because the real recompense of labour is much lower ; Scotland, though advancing to greater wealth, advances much more slowly than England. The frequency of emigration from Scotland, and the rarity of it from England, sufficiently prove that the demand for labour is very different in the two countries. The proportion between the real recompense of labour in different countries, it must be remembered, is naturally regulated, not by their actual wealth or poverty, but by their advancing, stationary, or declining condition.

Gold and silver, as they are naturally of the greatest value among the richest, so they are naturally of the least value among the poorest nations. Among savages, the poorest of all nations, they are of scarce any value.

In great towns corn is always dearer than in re-

remote parts of the country. This, however, is the effect, not of the real cheapness of silver, but of the real dearness of corn. It does not cost less labour to bring silver to the great towns than to the remote parts of the country ; but it costs a great deal more to bring corn.

In some very rich and commercial countries, such as Holland and the territory of Genoa, corn is dear for the same reason that it is dear in great towns. They do not produce enough to maintain their inhabitants. They are rich in the industry and skill of their artificers and manufacturers, in every sort of machinery which can facilitate and abridge labour ; in shipping, and in all the other instruments and means of carriage and commerce : but they are poor in corn, which, as it must be brought to them from distant countries, must, by an addition to its price, pay for the carriage from those countries. It does not cost less labour to bring silver to Amsterdam than to Dantzick ; but it costs a great deal more to bring corn. The real cost of silver must be nearly the same in both places ; but that of corn must be very different. Diminish the real opulence either of Holland or of the territory of Genoa, while the number of their inhabitants remains the same ; diminish their power of supplying themselves from distant countries ; and the price of corn, instead of sinking with that diminution in the quantity of their silver, which must necessarily accompany this declension, either as its cause or as its effect, will rise to the price of a famine. When we are in want of neces-

saries, we must part with all superfluities, of which the value, as it rises in times of opulence and prosperity, so it sinks in times of poverty and distress, It is otherwise with necessaries. Their real price, the quantity of labour which they can purchase or command, rises in times of poverty and distress, and sinks in times of opulence and prosperity, which are always times of great abundance ; for they could not otherwise be times of opulence and prosperity. Corn is a necessary, silver is only a superfluity.

Whatever, therefore, may have been the increase in the quantity of the precious metals, which, during the period between the middle of the fourteenth and that of the sixteenth century, arose from the increase of wealth and improvement, it could have no tendency to diminish their value either in Great Britain, or in any other part of Europe. If those who have collected the prices of things in ancient times, therefore, had, during this period, no reason to infer the diminution of the value of silver, from any observations which they had made upon the prices either of corn or of other commodities, they had still less reason to infer it from any supposed increase of wealth and improvement.

SECOND PERIOD.

BUT how various soever may have been the opinions of the learned concerning the progress of the value of silver during the first period, they are unanimous concerning it during the second.

From about 1570 to about 1640, during a period of about seventy years, the variation in the proportion between the value of silver and that of corn, held a quite opposite course. Silver sunk in its real value, or would exchange for a smaller quantity of labour than before ; and corn rose in its nominal price, and instead of being commonly sold for about two ounces of silver the quarter, or about ten shillings of our present money, came to be sold for six and eight ounces of silver the quarter, or about thirty and forty shillings of our present money.

The discovery of the abundant mines of America seems to have been the sole cause of this diminution in the value of silver in proportion to that of corn. It is accounted for accordingly in the same manner by everybody ; and there never has been any dispute either about the fact, or about the cause of it. The greater part of Europe was, during this period, advancing in industry and improvement, and the demand for silver must consequently have been increasing. But the increase of the supply had, it seems, so far exceeded that of the demand, that the value of that metal sunk considerably. The discovery of the mines of America, it is to be observed, does not seem to have had any very sensible effect upon the prices of things in England till after 1570 ; though even the mines of Potosi had been discovered more than twenty years before.

From 1595 to 1620, both inclusive, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears from the accounts of

Eton College to have been 2*l.* 1*s.* 6 $\frac{2}{3}$ *d.* From which sum, neglecting the fraction, and deducting a ninth, or 4*s.* 7 $\frac{1}{2}$ *d.*, the price of the quarter of eight bushels comes out to have been 1*l.* 16*s.* 10 $\frac{1}{2}$ *d.* And from this sum, neglecting likewise the fraction, and deducting a ninth, or 4*s.* 1 $\frac{1}{2}$ *d.*, for the difference between the price of the best wheat and that of the middle wheat, the price of the middle wheat comes out to have been about 1*l.* 12*s.* 8 $\frac{1}{2}$ *d.*, or about six ounces and one-third of an ounce of silver.

From 1621 to 1636, both inclusive, the average price of the same measure of the best wheat at the same market, appears, from the same accounts, to have been 2*l.* 10*s.*; from which, making the like deductions as in the foregoing case, the average price of the quarter of eight bushels of middle wheat comes out to have been 1*l.* 19*s.* 6*d.*, or about seven ounces and two-thirds of an ounce of silver,

THIRD PERIOD.

BETWEEN 1630 and 1640, or about 1636, the effect of the discovery of the mines of America, in reducing the value of silver, appears to have been completed, and the value of that metal seems never to have sunk lower in proportion to that of corn than it was about that time. It seems to have risen somewhat in the course of the present century, and it had probably begun to do so even some time before the end of the last.

From 1637 to 1700, both inclusive, being the sixty-four last years of the last century, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, from the same accounts, to have been 2*l.* 11*s.* 0½*d.* ; which is only 1*s.* 0½*d.* dearer than it had been during the sixteen years before. But in the course of these sixty-four years there happened two events which must have produced a much greater scarcity of corn than what the course of the seasons would otherwise have occasioned, and which, therefore, without supposing any further reduction in the value of silver, will much more than account for this very small enhancement of price.

The first of these events was the civil war, which, by discouraging tillage and interrupting commerce, must have raised the price of corn much above what the course of the seasons would otherwise have occasioned. It must have had this effect more or less at all the different markets in the kingdom, but particularly at those in the neighbourhood of London, which require to be supplied from the greatest distance. In 1648, accordingly, the price of the best wheat at Windsor market, appears, from the same accounts, to have been 4*l.* 5*s.* and in 1649 to have been 4*l.* the quarter of nine bushels. The excess of those two years above 2*l.* 10*s.* (the average price of the sixteen years preceding 1637) is 3*l.* 5*s.* ; which, divided among the sixty-four last years of the last century, will alone very nearly account for that small enhancement of price which seems to have taken

place in them. These, however, though the highest, are by no means the only high prices which seem to have been occasioned by the civil wars.

The second event was the bounty upon the exportation of corn, granted in 1688. The bounty, it has been thought by many people, by encouraging tillage, may, in a long course of years, have occasioned a greater abundance, and consequently a greater cheapness of corn in the home-market, than what would otherwise have taken place there. How far the bounty could produce this effect at any time, I shall examine hereafter; I shall only observe at present, that between 1688 and 1700, it had not time to produce any such effect. During this short period, its only effect must have been, by encouraging the exportation of the surplus produce of every year, and thereby hindering the abundance of one year from compensating the scarcity of another, to raise the price in the home-market. The scarcity which prevailed in England from 1693 to 1699, both inclusive, though no doubt principally owing to the badness of the seasons, and, therefore, extending through a considerable part of Europe, must have been somewhat enhanced by the bounty. In 1699, accordingly, the further exportation of corn was prohibited for nine months.

There was a third event which occurred in the course of the same period, and which, though it could not occasion any scarcity of corn, nor, perhaps, any augmentation in the real quantity of silver which was usually paid for it, must necessarily have occa-

sioned some augmentation in the nominal sum. This event was the great debasement of the silver coin, by clipping and wearing. This evil had begun in the reign of Charles II. and had gone on continually increasing till 1695 ; at which time, as we may learn from Mr. Lowndes, the current silver coin was, at an average, near five-and-twenty per cent. below its standard value. But the nominal sum which constitutes the market price of every commodity is necessarily regulated, not so much by the quantity of silver, which, according to the standard, ought to be contained in it, as by that which, it is found by experience, actually is contained in it. This nominal sum, therefore, is necessarily higher when the coin is much debased by clipping and wearing, than when near to its standard value.

In the course of the present century, the silver coin has not at any time been more below its standard weight than it is at present. But though very much defaced, its value has been kept up by that of the gold coin for which it is exchanged. For though, before the late re-coinage, the gold coin was a good deal defaced too, it was less so than the silver. In 1695, on the contrary, the value of the silver coin was not kept up by the gold coin ; a guinea then commonly exchanging for thirty shillings of the worn and clipt silver. Before the late re-coinage of the gold, the price of silver bullion was seldom higher than five shillings and seven-pence an ounce, which is but five-pence above the Mint price. But

in 1695, the common price of silver bullion was six shillings and five-pence an ounce*, which is fifteen-pence above the Mint price. Even before the late re-coinage of the gold, therefore, the coin, gold and silver together, when compared with silver bullion, was not supposed to be more than eight per cent. below its standard value. In 1695, on the contrary, it had been supposed to be near five-and-twenty per cent. below that value. But in the beginning of the present century, that is, immediately after the great re-coinage in King William's time, the greater part of the current silver coin must have been still nearer to its standard weight than it is at present. In the course of the present century too there has been no great public calamity, such as the civil war, which could either discourage tillage, or interrupt the interior commerce of the country. And though the bounty which has taken place through the greater part of this century must always raise the price of corn somewhat higher than it otherwise would be in the actual state of tillage; yet as, in the course of this century, the bounty has had full time to produce all the good effects commonly imputed to it, to encourage tillage, and thereby to increase the quantity of corn in the home market, it may, upon the principles of a system which I shall explain and examine hereafter, be supposed to have done something to lower the price of that commodity the one way, as well as to raise it the other. It is by many people

* Lowndes's Essay on the Silver Coin, p. 66.—A.

supposed to have done more. In the sixty-four years of the present century, accordingly, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, by the accounts of Eton College, to have been 2*l.* 0*s.* 6½*d.*, which is about ten shillings and sixpence, or more than five-and-twenty per cent. cheaper than it had been during the sixty-four last years of the last century; and about nine shillings and sixpence cheaper than it had been during the sixteen years preceding 1636, when the discovery of the abundant mines of America may be supposed to have produced its full effect; and about one shilling cheaper than it had been in the twenty-six years preceding 1620, before that discovery can well be supposed to have produced its full effect. According to this account, the average price of middle wheat, during these sixty-four first years of the present century, comes out to have been about thirty-two shillings the quarter of eight bushels.

The value of silver, therefore, seems to have risen somewhat in proportion to that of corn during the course of the present century, and it had probably begun to do so even some time before the end of the last.

In 1687, the price of the quarter of nine bushels of the best wheat at Windsor market was 1*l.* 5*s.* 2*d.*, the lowest price at which it had ever been from 1595.

In 1688, Mr. Gregory King, a man famous for his knowledge in matters of this kind, estimated the average price of wheat in years of moderate plenty to be to the grower 3*s.* 6*d.* the bushel, or eight-and

twenty shillings the quarter. The grower's price I understand to be the same with what is sometimes called the contract price, or the price at which a farmer contracts for a certain number of years to deliver a certain quantity of corn to a dealer. As a contract of this kind saves the farmer the expense and trouble of marketing, the contract price is generally lower than what is supposed to be the average market price. Mr. King had judged eight-and-twenty shillings the quarter to be at that time the ordinary contract price in years of moderate plenty. Before the scarcity occasioned by the late extraordinary course of bad seasons, it was, I have been assured, the ordinary contract price in all common years.

In 1688 was granted the parliamentary bounty upon the exportation of corn. The country gentlemen, who then composed a still greater proportion of the legislature than they do at present, had felt that the money price of corn was falling. The bounty was an expedient to raise it artificially to the high price at which it had frequently been sold in the time of Charles I. and II. It was to take place, therefore, till wheat was so high as forty-eight shillings the quarter; that is, twenty shillings, or $\frac{4}{5}$ ths dearer than Mr. King had in that very year estimated the grower's price to be in times of moderate plenty. If his calculations deserve any part of the reputation which they have obtained very universally, eight-and-forty shillings the quarter was a price which, without some such expedient as the bounty,

could not at that time be expected, except in years of extraordinary scarcity. But the government of King William was not then fully settled. It was in no condition to refuse anything to the country gentlemen, from whom it was at that very time soliciting the first establishment of the annual land-tax.

The value of silver, therefore, in proportion to that of corn, had probably risen somewhat before the end of the last century ; and it seems to have continued to do so during the course of the greater part of the present ; though the necessary operation of the bounty must have hindered that rise from being so sensible as it otherwise would have been in the actual state of tillage.

In plentiful years the bounty, by occasioning an extraordinary exportation, necessarily raises the price of corn above what it otherwise would be in those years. To encourage tillage, by keeping up the price of corn even in the most plentiful years, was the avowed end of the institution.

In years of great scarcity, indeed, the bounty has generally been suspended. It must, however, have had some effect upon the prices of many of those years. By the extraordinary exportation which it occasions in years of plenty, it must frequently hinder the plenty of one year from compensating the scarcity of another.

Both in years of plenty and in years of scarcity, therefore, the bounty raises the price of corn above what it naturally would be in the actual state of tillage. If, during the sixty-four first years of the

present century, therefore, the average price has been lower than during the sixty-four last years of the last century, it must, in the same state of tillage, have been much more so, had it not been for this operation of the bounty.

But without the bounty, it may be said, the state of tillage would not have been the same. What may have been the effects of this institution upon the agriculture of the country, I shall endeavour to explain hereafter, when I come to treat particularly of bounties. I shall only observe at present, that this rise in the value of silver, in proportion to that of corn, has not been peculiar to England. It has been observed to have taken place in France during the same period, and nearly in the same proportion too, by three very faithful, diligent, and laborious collectors of the prices of corn, Mr. Duprè de St. Maur, Mr. Messance, and the author of the Essay on the police of grain. But in France, till 1764, the exportation of grain was by law prohibited; and it is somewhat difficult to suppose, that nearly the same diminution of price which took place in one country, notwithstanding this prohibition, should in another be owing to the extraordinary encouragement given to exportation.

It would be more proper, perhaps, to consider this variation in the average money price of corn as the effect rather of some gradual rise in the real value of silver in the European market, than of any fall in the real average value of corn. Corn, it has already been observed, is at distant periods of time

a more accurate measure of value than either silver, or perhaps any other commodity. When, after the discovery of the abundant mines of America, corn rose to three and four times its former money price, this change was universally ascribed, not to any rise in the real value of corn, but to a fall in the real value of silver. If during the sixty-four first years of the present century, therefore, the average money price of corn has fallen somewhat below what it had been during the greater part of the last century, we should in the same manner impute this change, not to any fall in the real value of corn, but to some rise in the real value of silver in the European market.

The high price of corn during these ten or twelve years past, indeed, has occasioned a suspicion that the real value of silver still continues to fall in the European market. This high price of corn, however, seems evidently to have been the effect of the extraordinary unfavourableness of the seasons, and ought therefore to be regarded, not as a permanent, but as a transitory and occasional event. The seasons for these ten or twelve years past have been unfavourable through the greater part of Europe; and the disorders of Poland have very much increased the scarcity in all those countries, which, in dear years, used to be supplied from that market. So long a course of bad seasons, though not a very common event, is by no means a singular one; and whoever has inquired much into the history of the prices of corn in former times, will be at no loss to recollect several other examples of the same kind.

Ten years of extraordinary scarcity, besides, are not more wonderful than ten years of extraordinary plenty. The low price of corn from 1741 to 1750, both inclusive, may very well be set in opposition to its high price during these last eight or ten years. From 1741 to 1750, the average price of the quarter of nine bushels of the best wheat at Windsor market, it appears from the accounts of Eton College, was only 1*l.* 13*s.* 9½*d.*, which is nearly 6*s.* 3*d.* below the average price of the sixty-four first years of the present century. The average price of the quarter of eight bushels of middle wheat, comes out, according to this account, to have been, during these ten years, only 1*l.* 6*s.* 8*d.*

Between 1741 and 1750, however, the bounty must have hindered the price of corn from falling so low in the home market as it naturally would have done. During these ten years the quantity of all sorts of grain exported, it appears from the custom-house books, amounted to no less than eight millions twenty-nine thousand one hundred and fifty-six quarters one bushel. The bounty paid for this amounted to 1,514,962*l.* 17*s.* 4½*d.* In 1749 accordingly, Mr. Pelham, at that time prime minister, observed to the House of Commons, that for the three years preceding, a very extraordinary sum had been paid as bounty for the exportation of corn. He had good reason to make this observation, and in the following year he might have had still better. In that single year the bounty paid amounted to no

less than 324,176*l.* 10*s.* 6*d.**. It is unnecessary to observe how much this forced exportation must have raised the price of corn above what it otherwise would have been in the home market.

At the end of the accounts annexed to this chapter the reader will find the particular account of those ten years separated from the rest. He will find there too the particular account of the preceding ten years, of which the average is likewise below, though not so much below, the general average of the sixty-four first years of the century. The year 1740, however, was a year of extraordinary scarcity. These twenty years preceding 1750 may very well be set in opposition to the twenty preceding 1770. As the former were a good deal below the general average of the century, notwithstanding the intervention of one or two dear years; so the latter have been a good deal above it, notwithstanding the intervention of one or two cheap ones, of 1759, for example. If the former have not been as much below the general average, as the latter have been above it, we ought probably to impute it to the bounty. The change has evidently been too sudden to be ascribed to any change in the value of silver, which is always slow and gradual. The suddenness of the effect can be accounted for only by a cause which can operate suddenly, the accidental variation of the seasons.

* See Tracts on the Corn Trade; Tract 3rd.—A.

The money price of labour in Great Britain has, indeed, risen during the course of the present century. This, however, seems to be the effect, not so much of any diminution in the value of silver in the European market, as of an increase in the demand for labour in Great Britain, arising from the great, and almost universal prosperity of the country. In France, a country not altogether so prosperous, the money price of labour has, since the middle of the last century, been observed to sink gradually with the average money price of corn. Both in the last century and in the present, the day-wages of common labour are there said to have been pretty uniformly about the twentieth part of the average price of the septier of wheat, a measure which contains a little more than four Winchester bushels. In Great Britain the real recompense of labour, it has already been shown, the real quantities of the necessaries and conveniencies of life which are given to the labourer, has increased considerably during the course of the present century. The rise in its money price seems to have been the effect, not of any diminution of the value of silver in the general market of Europe, but of a rise in the real price of labour in the particular market of Great Britain, owing to the peculiarly happy circumstances of the country.

For some time after the first discovery of America, silver would continue to sell at its former, or not much below its former price. The profits of mining would for some time be very great, and much above their natural rate. Those who imported that metal

into Europe, however, would soon find that the whole annual importation could not be disposed of at this high price. Silver would gradually exchange for a smaller and a smaller quantity of goods. Its price would sink gradually lower and lower till it fell to its natural price ; or to what was just sufficient to pay, according to their natural rates, the wages of the labour, the profits of the stock, and the rent of the land, which must be paid in order to bring it from the mine to the market. In the greater part of the silver mines of Peru, the tax of the king of Spain, amounting to a tenth of the gross produce, eats up, it has already been observed, the whole rent of the land. This tax was originally a half ; it soon afterwards fell to a third, then to a fifth, and at last to a tenth, at which rate it still continues. In the greater part of the silver mines of Peru, this, it seems, is all that remains, after replacing the stock of the undertaker of the work, together with its ordinary profits ; and it seems to be universally acknowledged that these profits, which were once very high, are now as low as they can well be, consistently with carrying on their works.

The tax of the king of Spain was reduced to a fifth of the registered silver in 1504*, one-and-forty years before 1545, the date of the discovery of the mines of Potosi. In the course of ninety years, or before 1636, these mines, the most fertile in all America, had time sufficient to produce their full

* Solorzano, vol. ii.—A.

effect, or to reduce the value of silver in the European market as low as it could well fall, while it continued to pay this tax to the king of Spain. Ninety years is time sufficient to reduce any commodity, of which there is no monopoly, to its natural price, or to the lowest price at which, while it pays a particular tax, it can continue to be sold for any considerable time together.

The price of silver in the European market might perhaps have fallen still lower, and it might have become necessary either to reduce the tax upon it, not only to one tenth, as in 1736, but to one twentieth, in the same manner as that upon gold, or to give up working the greater part of the American mines which are now wrought. The gradual increase of the demand for silver, or the gradual enlargement of the market for the produce of the silver mines of America, is probably the cause which has prevented this from happening, and which has not only kept up the value of silver in the European market, but has perhaps even raised it somewhat higher than it was about the middle of the last century.

Since the first discovery of America, the market for the produce of its silver mines has been growing gradually more and more extensive.

First, the market of Europe has become gradually more and more extensive. Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France, and Germany; even Sweden, Denmark, and Russia, have

all advanced considerably both in agriculture and in manufactures. Italy seems not to have gone backwards. The fall of Italy preceded the conquest of Peru. Since that time it seems rather to have recovered a little. Spain and Portugal, indeed, are supposed to have gone backwards. Portugal, however, is but a very small part of Europe, and the declension of Spain is not, perhaps, so great as is commonly imagined. In the beginning of the sixteenth century, Spain was a very poor country, even in comparison with France, which has been so much improved since that time. It was the well-known remark of the Emperor Charles V., who had travelled so frequently through both countries, that everything abounded in France, but that everything was wanting in Spain. The increasing produce of the agriculture and manufactures of Europe must necessarily have required a gradual increase in the quantity of silver coin to circulate it; and the increasing number of wealthy individuals must have required the like increase in the quantity of their plate and other ornaments of silver.

Secondly, America is itself a new market for the produce of its own silver mines; and as its advances in agriculture, industry, and population, are much more rapid than those of the most thriving countries in Europe, its demand must increase much more rapidly. The English colonies are altogether a new market, which partly for coin, and partly for plate, requires a continually augmenting supply of silver through a great continent where there never was any

demand before. The greater part too of the Spanish and Portuguese colonies are altogether new markets. New Granada, the Yucatan, Paraguay, and the Brazils, were, before discovered by the Europeans, inhabited by savage nations, who had neither arts nor agriculture. A considerable degree of both has now been introduced into all of them. Even Mexico and Peru, though they cannot be considered as altogether new markets, are certainly much more extensive ones than they ever were before. After all the wonderful tales which have been published concerning the splendid state of those countries in ancient times, whoever reads, with any degree of sober judgment, the history of their first discovery and conquest, will evidently discern that, in arts, agriculture, and commerce, their inhabitants were much more ignorant than the Tartars of the Ukraine are at present. Even the Peruvians, the more civilized nation of the two, though they made use of gold and silver as ornaments, had no coined money of any kind. Their whole commerce was carried on by barter, and there was accordingly scarce any division of labour [employments] among them. Those who cultivated the ground were obliged to build their own houses, to make their own household furniture, their own clothes, shoes, and instruments of agriculture. The few artificers among them are said to have been all maintained by the sovereign, the nobles, and the priests, and were probably their servants or slaves. All the ancient arts of Mexico and Peru have never furnished one single

manufacture to Europe. The Spanish armies, though they scarce ever exceeded five hundred men, and frequently did not amount to half that number, found almost everywhere great difficulty in procuring subsistence. The famines which they are said to have occasioned almost wherever they went, in countries too which at the same time are represented as very populous and well-cultivated, sufficiently demonstrate that the story of this populousness and high cultivation is in a great measure fabulous. The Spanish colonies are under a government in many respects less favourable to agriculture, improvement, and population, than that of the English colonies. They seem, however, to be advancing in all these much more rapidly than any country in Europe. In a fertile soil and happy climate, the great abundance and cheapness of land, a circumstance common to all new colonies, is, it seems, so great an advantage as to compensate many defects in civil government. Frezier, who visited Peru in 1713, represents Lima as containing between twenty-five and twenty-eight thousand inhabitants. Ulloa, who resided in the same country between 1740 and 1746, represents it as containing more than fifty thousand. The difference in their accounts of the populousness of several other principal towns in Chili and Peru is nearly the same; and as there seems to be no reason to doubt of the good information of either, it marks an increase which is scarce inferior to that of the English colonies. America, therefore, is a new market for the produce

of its own silver mines, of which the demand must increase much more rapidly than that of the most thriving country in Europe.

Thirdly, the East Indies is another market for the produce of the silver mines of America, and a market which, from the time of the first discovery of those mines, has been continually taking off a greater and a greater quantity of silver. Since that time, the direct trade between America and the East Indies, which is carried on by means of the Aca-pulco ships, has been continually augmenting, and the indirect intercourse by the way of Europe has been augmenting in a still greater proportion. During the sixteenth century, the Portuguese were the only European nation who carried on any regular trade to the East Indies. In the last years of that century the Dutch began to encroach upon this monopoly, and in a few years expelled them from their principal settlements in India. During the greater part of the last century, those two nations divided the most considerable part of the East India trade between them; the trade of the Dutch continually augmenting in a still greater proportion than that of the Portuguese declined. The English and French carried on some trade with India in the last century, but it has been greatly augmented in the course of the present. The East India trade of the Swedes and Danes began in the course of the present century. Even the Muscovites now trade regularly with China by a sort of caravans which go overland through Siberia and Tartary to Peking.

The East India trade of all these nations, if we except that of the French, which the last war had well nigh annihilated, has been almost continually augmenting. The increasing consumption of East India goods in Europe, is, it seems, so great, as to afford a gradual increase of employment to them all. Tea, for example, was a drug very little used in Europe before the middle of the last century. At present the value of the tea annually imported by the English East India Company, for the use of their own countrymen, amounts to more than a million and a half a year; and even this is not enough; a great deal more being constantly smuggled into the country from the ports of Holland, from Gottenburg in Sweden, and from the coast of France too, as long as the French East India Company was in prosperity. The consumption of the porcelain of China, of the spiceries of the Moluccas, of the piece goods of Bengal, and of innumerable other articles, has increased very nearly in a like proportion. The tonnage accordingly of all the European shipping employed in the East India trade, at any one time during the last century, was not, perhaps, much greater than that of the English East India Company before the late reduction of their shipping.

But in the East Indies, particularly in China and Indostan, the value of the precious metals, when the Europeans first began to trade to those countries, was much higher than in Europe; and it still continues to be so. In rice countries, which generally yield two, sometimes three crops in the year,

each of them more plentiful than any common crop of corn, the abundance of food must be much greater than in any corn country of equal extent. Such countries are accordingly much more populous. In them too the rich, having a greater superabundance of food to dispose of beyond what they themselves can consume, have the means of purchasing a much greater quantity of the labour of other people. The retinue of a grandee in China or Indostan accordingly is, by all accounts, much more numerous and splendid than that of the richest subjects in Europe. The same superabundance of food, of which they have the disposal, enables them to give a greater quantity of it for all those singular and rare productions which nature furnishes but in very small quantities; such as the precious metals and the precious stones, the great objects of the competition of the rich. Though the mines, therefore, which supplied the Indian market had been as abundant as those which supplied the European, such commodities would naturally exchange for a greater quantity of food in India than in Europe. But the mines which supplied the Indian market with the precious metals seem to have been a good deal less abundant, and those which supplied it with the precious stones a good deal more so, than the mines which supplied the European. The precious metals, therefore, would naturally exchange in India for somewhat a greater quantity of the precious stones, and for a much greater quantity of food than in Europe. The money price of diamonds, the

greatest of all superfluities, would be somewhat lower, and that of food, the first of all necessities, a great deal lower in the one country than in the other. But the real price of labour, the real quantity of the necessities of life which is given to the labourer, it has already been observed, is lower both in China and Indostan, the two great markets of India, than it is through the greater part of Europe. The wages of the labourer will there purchase a smaller quantity of food; and as the money price of food is much lower in India than in Europe, the money price of labour is there lower upon a double account; upon account both of the small quantity of food which it will purchase, and of the low price of that food. But in countries of equal art and industry, the money price of the greater part of manufactures will be in proportion to the money price of labour; and in manufacturing art and industry, China and Indostan, though inferior, seem not to be much inferior to any part of Europe. The money price of the greater part of manufactures, therefore, will naturally be much lower in those great empires than it is anywhere in Europe. Through the greater part of Europe too the expense of land-carriage increases very much both the real and nominal price of most manufactures. It costs more labour, and therefore more money, to bring first the materials, and afterwards the complete manufacture to market. In China and Indostan the extent and variety of inland navigations save the greater part of this labour, and consequently of this money, and

thereby reduce still lower both the real and the nominal price of the greater part of their manufactures. Upon all these accounts, the precious metals are a commodity which it always has been, and still continues to be, extremely advantageous to carry from Europe to India. There is scarce any commodity which brings a better price there ; or which, in proportion to the quantity of labour and commodities which it costs in Europe, will purchase or command a greater quantity of labour and commodities in India. It is more advantageous too to carry silver thither than gold ; because in China, and the greater part of the other markets of India, the proportion between fine silver and fine gold is but as ten, or at most as twelve to one ; whereas in Europe it is as fourteen or fifteen to one. In China, and the greater part of the other markets of India, ten, or at most twelve, ounces of silver, will purchase an ounce of gold : in Europe it requires from fourteen to fifteen ounces. In the cargoes, therefore, of the greater part of European ships which sail to India, silver has generally been one of the most valuable articles. It is the most valuable article in the Aca-pulco ships which sail to Manilla. The silver of the new continent seems in this manner to be one of the principal commodities by which the commerce between the two extremities of the old one is carried on, and it is by means of it, in a great measure, that those distant parts of the world are connected with one another.

In order to supply so very widely extended a mar-

ket, the quantity of silver annually brought from the mines must not only be sufficient to support that continual increase both of coin and of plate which is required in all thriving countries; but to repair that continual waste and consumption of silver which takes place in all countries where that metal is used.

The continual consumption of the precious metals in coin by wearing, and in plate both by wearing and cleaning, is very sensible; and in commodities of which the use is so very widely extended, would alone require a very great annual supply. The consumption of those metals in some particular manufactures, though it may not perhaps be greater upon the whole than this gradual consumption, is, however, much more sensible, as it is much more rapid. In the manufactures of Birmingham alone, the quantity of gold and silver annually employed in gilding and plating, and thereby disqualified from ever afterwards appearing in the shape of those metals, is said to amount to more than fifty thousand pounds sterling. We may from thence form some notion how great must be the annual consumption in all the different parts of the world, either in manufactures of the same kind with those of Birmingham, or in laces, embroideries, gold and silver stuffs, the gilding of books, furniture, &c. A considerable quantity too must be annually lost in transporting those metals from one place to another both by sea and by land. In the greater part of the governments of Asia, besides, the almost universal custom

of concealing treasures in the bowels of the earth, of which the knowledge frequently dies with the person who makes the concealment, must occasion the loss of a still greater quantity.

The quantity of gold and silver imported at both Cadiz and Lisbon (including not only what comes under register, but what may be supposed to be smuggled) amounts, according to the best accounts, to about six millions sterling a year.

According to Mr. Meggens*, the annual importation of the precious metals into Spain, at an average of six years; viz., from 1748 to 1753, both inclusive; and into Portugal, at an average of seven years; viz., from 1747 to 1753, both inclusive; amounted in silver to 1,101,107 pounds' weight; and in gold to 49,940 pounds' weight. The silver, at sixty-two shillings the pound Troy, amounts to 3,413,431*l.* 10*s.* sterling. The gold, at forty-four guineas and a half the pound Troy, amounts to 2,333,446*l.* 14*s.* sterling. Both together amount to 5,746,878*l.* 4*s.* sterling. The account of what was imported under register, he assures us, is exact. He gives us the detail of the particular places from which the gold and silver were brought, and of the particular quantity of each metal, which, according to the register, each of them afforded. He makes

* Postscript to the Universal Merchant, pp. 15 and 16. This Postscript was not printed till 1756, three years after the publication of the book, which has never had a second edition. The Postscript is, therefore, to be found in few copies: it corrects several errors in the book.—A.

an allowance too for the quantity of each metal which he supposes may have been smuggled. The great experience of this judicious merchant renders his opinion of considerable weight.

According to the eloquent and, sometimes, well-informed Author of the Philosophical and Political History of the Establishment of the Europeans in the Two Indies, the annual importation of registered gold and silver into Spain, at an average of eleven years, viz., from 1754 to 1764, both inclusive; amounted to 13,984,185½ piastres of ten reals. On account of what may have been smuggled, however, the whole annual importation, he supposes, may have amounted to seventeen millions of piastres; which, at 4s. 6d. the piastre, is equal to 3,825,000*l.* sterling. He gives the detail too of the particular places from which the gold and silver were brought, and of the particular quantities of each metal which, according to the register, each of them afforded. He informs us too, that if we were to judge of the quantity of gold annually imported from the Brazils into Lisbon by the amount of the tax paid to the king of Portugal, which it seems is one-fifth of the standard metal, we might value it at eighteen millions of cruzadoes, or forty-five millions of French livres, equal to about two millions sterling. On account of what may have been smuggled, however, we may safely, he says, add to this sum an eighth more, or 250,000*l.* sterling, so that the whole will amount to 2,250,000*l.* sterling. According to this account, therefore, the whole annual importation of

the precious metals into both Spain and Portugal, amounts to about 6,075,000*l.* sterling.

Several other very well authenticated, though manuscript, accounts, I have been assured, agree in making this whole annual importation amount at an average to about six millions sterling; sometimes a little more, sometimes a little less.

The annual importation of the precious metals into Cadiz and Lisbon, indeed, is not equal to the whole annual produce of the mines of America. Some part is sent annually by the Acapulco ships to Manilla; some part is employed in the contraband trade which the Spanish colonies carry on with those of other European nations; and some part, no doubt, remains in the country. The mines of America, besides, are by no means the only gold and silver mines in the world. They are, however, by far the most abundant. The produce of all the other mines which are known, is insignificant, it is acknowledged, in comparison with theirs; and the far greater part of their produce, it is likewise acknowledged, is annually imported into Cadiz and Lisbon. But the consumption of Birmingham alone, at the rate of fifty thousand pounds a year, is equal to the hundred-and-twentieth part of this annual importation at the rate of six millions a year. The whole annual consumption of gold and silver, therefore, in all the different countries of the world where those metals are used, may perhaps be nearly equal to the whole annual produce. The remainder may be no more than sufficient to supply the increasing

demand of all thriving countries. It may even have fallen so far short of this demand as somewhat to raise the price of those metals in the European market.

. The quantity of brass and iron annually brought from the mine to the market is out of all proportion greater than that of gold and silver. We do not, however, upon this account, imagine that those coarse metals are likely to multiply beyond the demand, or to become gradually cheaper and cheaper. Why should we imagine that the precious metals are likely to do so? The coarse metals, indeed, though harder, are put to much harder uses, and, as they are of less value, less care is employed in their preservation. The precious metals, however, are not necessarily immortal any more than they, but are liable too to be lost, wasted, and consumed in a great variety of ways.

The price of all metals, though liable to slow and gradual variations, varies less from year to year than that of almost any other part of the rude produce of land; and the price of the precious metals is even less liable to sudden variations than that of the coarse ones. The durableness of metals is the foundation of this extraordinary steadiness of price. The corn which was brought to market last year, will be all or almost all consumed long before the end of this year. But some part of the iron which was brought from the mine two or three hundred years ago, may be still in use, and perhaps some part of the gold which was brought from it two or

three thousand years ago. The different masses of corn which in different years must supply the consumption of the world, will always be nearly in proportion to the respective produce of those different years. But the proportion between the different masses of iron which may be in use in two different years, will be very little affected by any accidental difference in the produce of the iron mines of those two years; and the proportion between the masses of gold will be still less affected by any such difference in the produce of the gold mines. Though the produce of the greater part of metallic mines, therefore, varies, perhaps, still more from year to year than that of the greater part of corn-fields, those variations have not the same effect upon the price of the one species of commodities, as upon that of the other.

Variations in the Proportion between the respective Values of Gold and Silver.

BEFORE the discovery of the mines of America, the value of fine gold to fine silver was regulated in the different mints of Europe, between the proportion of one to ten and one to twelve; that is, an ounce of fine gold was supposed to be worth from ten to twelve ounces of fine silver. About the middle of the last century it came to be regulated, between the proportions of one to fourteen and one to fifteen; that is, an ounce of fine gold came to be

supposed worth between fourteen and fifteen ounces of fine silver. Gold rose in its nominal value, or in the quantity of silver which was given for it. Both metals sunk in their real value, or in the quantity of labour which they could purchase; but silver sunk more than gold. Though both the gold and silver mines of America exceeded in fertility all those which had ever been known before, the fertility of the silver mines had, it seems, been proportionably still greater than that of the gold ones.

The great quantities of silver carried annually from Europe to India, have, in some of the English settlements, gradually reduced the value of that metal in proportion to gold. In the mint of Calcutta, an ounce of fine gold is supposed to be worth fifteen ounces of fine silver, in the same manner as in Europe. It is in the mint, perhaps, rated too high for the value which it bears in the market of Bengal. In China, the proportion of gold to silver still continues as one to ten, or one to twelve. In Japan, it is said to be as one to eight.

The proportion between the quantities of gold and silver annually imported into Europe, according to Mr. Meggens's account, is as one to twenty-two nearly; that is, for one ounce of gold there are imported a little more than twenty-two ounces of silver. The great quantity of silver sent annually to the East Indies, reduces, he supposes, the quantities of those metals which remain in Europe, to the proportion of one to fourteen or fifteen, the proportion of their values. The proportion between

their values, he seems to think, must necessarily be the same as that between their quantities, and would therefore be as one to twenty-two, were it not for this greater exportation of silver.

But the ordinary proportion between the respective values of two commodities is not necessarily the same as that between the quantities of them which are commonly in the market. The price of an ox, reckoned at ten guineas, is about threescore times the price of a lamb, reckoned at 3*s.* 6*d.* It would be absurd, however, to infer from thence, that there are commonly in the market threescore lambs for one ox: and it would be just as absurd to infer, because an ounce of gold will commonly purchase from fourteen to fifteen ounces of silver, that there are commonly in the market only fourteen or fifteen ounces of silver for one ounce of gold.

The quantity of silver commonly in the market, it is probable, is much greater in proportion to that of gold, than the value of a certain quantity of gold is to that of an equal quantity of silver. The whole quantity of a cheap commodity brought to market is commonly not only greater, but of greater value, than the whole quantity of a dear one. The whole quantity of bread annually brought to market is not only greater, but of greater value than the whole quantity of butcher's-meat; the whole quantity of butcher's-meat, than the whole quantity of poultry; and the whole quantity of poultry, than the whole quantity of wild-fowl. There are so many more purchasers for the cheap than for the dear com-

modity, that, not only a greater quantity of it, but a greater value, can commonly be disposed of. The whole quantity, therefore, of the cheap commodity must commonly be greater in proportion to the whole quantity of the dear one, than the value of a certain quantity of the dear one is to the value of an equal quantity of the cheap one. When we compare the precious metals with one another, silver is a cheap, and gold a dear commodity. We ought naturally to expect, therefore, that there should always be in the market, not only a greater quantity, but a greater value of silver than of gold. Let any man, who has a little of both, compare his own silver with his gold plate, and he will probably find, that, not only the quantity, but the value of the former greatly exceeds that of the latter. Many people, besides, have a good deal of silver who have no gold plate; which, even with those who have it, is generally confined to watch-cases, snuff-boxes, and such like trinkets, of which the whole amount is seldom of great value. In the British coin, indeed, the value of the gold preponderates greatly, but it is not so in that of all countries. In the coin of some countries the value of the two metals is nearly equal. In the Scotch coin, before the union with England, the gold preponderated very little, though it did somewhat*, as it appears by the accounts of the mint. In the coin of many countries the silver preponderates: In France, the largest sums are commonly

* See Ruddiman's Preface to Anderson's *Diplomata*, &c. *Scotiæ*.—A.

paid in that metal, and it is there difficult to get more gold than what is necessary to carry about in your pocket. The superior value, however, of the silver plate above that of the gold, which takes place in all countries, will much more than compensate the preponderancy of the gold coin above the silver, which takes place only in some countries.

Though, in one sense of the word, silver always has been, and probably always will be, much cheaper than gold; yet, in another sense, gold may, perhaps, in the present state of the Spanish market, be said to be somewhat cheaper than silver. A commodity may be said to be dear or cheap, not only according to the absolute greatness and smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and profit. But, in the present state of the Spanish market, gold is certainly somewhat nearer to this lowest price than silver. The tax of the King of Spain upon gold is only one-twentieth part of the standard metal, or five per cent.; whereas his tax upon silver amounts to one-tenth part of it, or to ten per cent. In these taxes too, it has already been observed, consists the whole rent of the greater part of the

gold and silver mines of Spanish America; and that upon gold is still worse paid than that upon silver. The profits of the undertakers of gold mines too, as they more rarely make a fortune, must, in general, be still more moderate than those of the undertakers of silver mines. The price of Spanish gold, therefore, as it affords both less rent and less profit, must, in the Spanish market, be somewhat nearer to the lowest price for which it is possible to bring it thither, than the price of Spanish silver. When all expenses are computed, the whole quantity of the one metal, it would seem, cannot, in the Spanish market, be disposed of so advantageously as the whole quantity of the other. The tax, indeed, of the King of Portugal upon the gold of the Brazils, is the same with the ancient tax of the King of Spain upon the silver of Mexico and Peru; or one-fifth part of the standard metal. It may, therefore, be uncertain whether to the general market of Europe the whole mass of American gold comes at a price nearer to the lowest for which it is possible to bring it thither, than the whole mass of American silver.

The price of diamonds and other precious stones may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold.

Though it is not very probable, that any part of a tax which is not only imposed upon one of the most proper subjects of taxation, a mere luxury and superfluity; but which affords so very important a revenue, as the tax upon silver, will ever be given

up as long as it is possible to pay it ; yet the same impossibility of paying it, which in 1736 made it necessary to reduce it from one-fifth to one-tenth, may in time make it necessary to reduce it still further ; in the same manner as it made it necessary to reduce the tax upon gold to one-twentieth. That the silver mines of Spanish America, like all other mines, become gradually more expensive in the working, on account of the greater depths at which it is necessary to carry on the works, and of the greater expense of drawing out the water, and of supplying them with fresh air at those depths, is acknowledged by everybody who has inquired into the state of those mines.

These causes, which are equivalent to a growing scarcity of silver (for a commodity may be said to grow scarcer when it becomes more difficult and expensive to collect a certain quantity of it), must, in time, produce one or other of the three following events. The increase of the expense must either, first, be compensated altogether by a proportionable increase in the price of the metal ; or secondly, it must be compensated altogether by a proportionable diminution of the tax upon silver ; or thirdly, it must be compensated partly by the one, and partly by the other of those two expedients. This third event is very possible. As gold rose in its price in proportion to silver, notwithstanding a great diminution of the tax upon gold ; so silver might rise in its price in proportion to labour and commodities, notwithstanding an equal diminution of the tax upon silver.

Such successive reductions of the tax, however, though they may not prevent altogether, must certainly retard, more or less, the rise of the value of silver in the European market. In consequence of such reductions, many mines may be wrought which could not be wrought before, because they could not afford to pay the old tax; and the quantity of silver annually brought to market must always be somewhat greater, and, therefore, the value of any given quantity somewhat less, than it otherwise would have been. In consequence of the reduction in 1736, the value of silver in the European market, though it may not at this day be lower than before that reduction, is, probably, at least ten per cent. lower than it would have been, had the Court of Spain continued to exact the old tax.

That, notwithstanding this reduction, the value of silver has, during the course of the present century, begun to rise somewhat in the European market, the facts and arguments which have been alleged above, dispose me to believe, or more properly to suspect and conjecture; for the best opinion which I can form upon this subject scarce, perhaps, deserves the name of belief. The rise, indeed, supposing there has been any, has hitherto been so very small, that after all that has been said, it may, perhaps, appear to many people uncertain, not only whether this event has actually taken place; but whether the contrary may not have taken place, or whether the value of silver may not still continue to fall in the European market.

It must be observed, however, that whatever may be the supposed annual importation of gold and silver, there must be a certain period, at which the annual consumption of those metals will be equal to that annual importation. Their consumption must increase as their mass increases, or rather in a much greater proportion. As their mass increases, their value diminishes. They are more used, and less cared for, and their consumption consequently increases in a greater proportion than their mass. After a certain period, therefore, the annual consumption of those metals must, in this manner, become equal to their annual importation, provided that importation is not continually increasing; which, in the present times, is not supposed to be the case.

If, when the annual consumption has become equal to the annual importation, the annual importation should gradually diminish, the annual consumption may, for some time, exceed the annual importation. The mass of those metals may gradually and insensibly diminish, and their value gradually and insensibly rise, till the annual importation becoming again stationary, the annual consumption will gradually and insensibly accommodate itself to what that annual importation can maintain.

Grounds of the Suspicion that the Value of Silver still continues to decrease.

THE increase of the wealth of Europe, and the popular notion that, as the quantity of the precious metals naturally increases with the increase of wealth, so their value diminishes as their quantity increases, may, perhaps, dispose many people to believe that their value still continues to fall in the European market; and the still gradually increasing price of many parts of the rude produce of land may confirm them still further in this opinion.

That that increase in the quantity of the precious metals, which arises in any country from the increase of wealth, has no tendency to diminish their value, I have endeavoured to show already. Gold and silver naturally resort to a rich country, for the same reason that all sorts of luxuries and curiosities resort to it; not because they are cheaper there than in poorer countries, but because they are dearer, or because a better price is given for them.

It is the superiority of price which attracts them, and as soon as that superiority ceases, they necessarily cease to go thither.

If you except corn and such other vegetables as are raised altogether by human industry, that all other sorts of rude produce, cattle, poultry, game of all kinds, the useful fossils and minerals of the earth, &c. naturally grow dearer as the society advances in wealth and improvement, I have endeavoured to show already. Though such commodities,

therefore, come to exchange for a greater quantity of silver than before, it will not from thence follow that silver has become really cheaper, or will purchase less labour than before, but that such commodities have become really dearer, or will purchase more labour than before. It is not their nominal price only, but their real price which rises in the progress of improvement. The rise of their nominal price is the effect, not of any degradation of the value of silver, but of the rise in their real price.

Different Effects of the Progress of Improvement upon three different Sorts of rude Produce.

THESE different sorts of rude produce may be divided into three classes. The first comprehends those which it is scarce in the power of human industry to multiply at all. The second, those which it can multiply in proportion to the demand. The third, those in which the efficacy of industry is either limited or uncertain. In the progress of wealth and improvement, the real price of the first may rise to any degree of extravagance, and seems not to be limited by any certain boundary. That of the second, though it may rise greatly, has, however, a certain boundary beyond which it cannot well pass for any considerable time together. That of the third, though its natural tendency is to rise in the progress of improvement, yet in the same degree of improvement it may sometimes happen even to fall,

sometimes to continue the same, and sometimes to rise more or less, according as different accidents render the efforts of human industry, in multiplying this sort of rude produce, more or less successful.

First Sort.

THE first sort of rude produce of which the price rises in the progress of improvement, is that which it is scarce in the power of human industry to multiply at all. It consists in those things which nature produces only in certain quantities, and which being of a very perishable nature, it is impossible to accumulate together the produce of many different seasons. Such are the greater part of rare and singular birds and fishes, many different sorts of game, almost all wild-fowl, all birds of passage in particular, as well as many other things. When wealth and the luxury which accompanies it increase, the demand for these is likely to increase with them, and no effort of human industry may be able to increase the supply much beyond what it was before this increase of the demand. The quantity of such commodities, therefore, remaining the same, or nearly the same, while the competition to purchase them is continually increasing, their price may rise to any degree of extravagance, and seems not to be limited by any certain boundary. If woodcocks should become so fashionable as to sell for twenty guineas a-piece, no effort of human industry could increase the number of those brought to market, much beyond what it is at present. The high price paid by

the Romans, in the time of their greatest grandeur, for rare birds and fishes, may in this manner easily be accounted for. These prices were not the effects of the low value of silver in those times, but of the high value of such rarities and curiosities as human industry could not multiply at pleasure. The real value of silver was higher at Rome, for some time before and after the fall of the republic, than it is through the greater part of Europe at present. Three sesterli, equal to about sixpence sterling, was the price which the republic paid for the modius or peck of the tithe-wheat of Sicily. This price, however, was probably below the average market-price, the obligation to deliver their wheat at this rate being considered as a tax upon the Sicilian farmers. When the Romans, therefore, had occasion to order more corn than the tithe of wheat amounted to, they were bound by capitulation to pay for the surplus at the rate of four sesterli, or eight-pence sterling the peck; and this had probably been reckoned the moderate and reasonable, that is, the ordinary or average contract price of those times; it is equal to about one-and-twenty shillings the quarter. Eight-and-twenty shillings the quarter was, before the late years of scarcity, the ordinary contract price of English wheat, which in quality is inferior to the Sicilian, and generally sells for a lower price in the European market. The value of silver, therefore, in those ancient times, must have been to its value in the present, as three to four inversely; that is, three ounces of silver would then have purchased

the same quantity of labour and commodities which four ounces will do at present. When we read in Pliny, therefore, that Seius* bought a white nightingale, as a present for the empress Agrippina, at the price of six thousand sestertii, equal to about fifty pounds of our present money; and that Asinius Celer† purchased a surmullet at the price of eight thousand sestertii, equal to about sixty-six pounds thirteen shillings and four-pence of our present money; the extravagance of those prices, how much soever it may surprise us, is apt, notwithstanding, to appear to us about one-third less than it really was. Their real price, the quantity of labour and subsistence which was given away for them, was about one-third more than their nominal price is apt to express to us in the present times. Seius gave for the nightingale the command of a quantity of labour and subsistence equal to what 66*l.* 13*s.* 4*d.* would purchase in the present times; and Asinius Celer gave for a surmullet the command of a quantity equal to what 88*l.* 17*s.* 9½*d.* would purchase. What occasioned the extravagance of those high prices was, not so much the abundance of silver, as the abundance of labour and subsistence, of which those Romans had the disposal, beyond what was necessary for their own use. The quantity of silver, of which they had the disposal, was a good deal less than what the command of the same quantity of labour and subsistence would have procured to them in the present times.

* Lib. x. c. 29.—A.

† Lib. ix. c. 17.—A.

Second Sort.

THE second sort of rude produce of which the price rises in the progress of improvement, is that which human industry can multiply in proportion to the demand. It consists in those useful plants and animals, which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while at the same time the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as anything else which human industry can raise upon the most fertile and best cultivated land. When it has got so high it cannot well go higher. If it did, more land and more industry would soon be employed to increase their quantity.

When the price of cattle, for example, rises so high that it is as profitable to cultivate land in order to raise food for them, as in order to raise food for man, it cannot well go higher. If it did, more corn land would soon be turned into pasture. The extension of tillage, by diminishing the quantity of wild pasture, diminishes the quantity of butcher's-meat which the country naturally produces without

labour or cultivation, and by increasing the number of those who have either corn, or, what comes to the same thing, the price of corn, to give in exchange for it, increases the demand. The price of butcher's-meat, therefore, and consequently of cattle, must gradually rise till it gets so high, that it becomes as profitable to employ the most fertile and best cultivated lands in raising food for them as in raising corn. But it must always be late in the progress of improvement before tillage can be so far extended as to raise the price of cattle to this height; and till it has got to this height, if the country is advancing at all, their price must be continually rising. There are, perhaps, some parts of Europe in which the price of cattle has not yet got to this height. It had not got to this height in any part of Scotland before the union. Had the Scotch cattle been always confined to the market of Scotland, in a country in which the quantity of land, which can be applied to no other purpose but the feeding of cattle, is so great in proportion to what can be applied to other purposes, it is scarce possible, perhaps, that their price could ever have risen so high as to render it profitable to cultivate land for the sake of feeding them. In England, the price of cattle, it has already been observed, seems, in the neighbourhood of London, to have got to this height about the beginning of the last century; but it was much later probably before it got through the greater part of the remoter counties; in some of which, perhaps, it may scarce yet have got to it. Of all the

different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, first rises to this height.

Till the price of cattle, indeed, has got to this height, it seems scarce possible that the greater part, even of those lands which are capable of the highest cultivation, can be completely cultivated. In all farms too distant from any town to carry manure from it, that is, in the far greater part of those of every extensive country, the quantity of well-cultivated land must be in proportion to the quantity of manure which the farm itself produces; and this again must be in proportion to the stock of cattle which are maintained upon it. The land is manured either by pasturing the cattle upon it, or by feeding them in the stable, and from thence carrying out their dung to it. But unless the price of the cattle be sufficient to pay both the rent and profit of cultivated land, the farmer cannot afford to pasture them upon it; and he can still less afford to feed them in the stable. It is with the produce of improved and cultivated land only, that cattle can be fed in the stable; because to collect the scanty and scattered produce of waste and unimproved lands would require too much labour and be too expensive. If the price of the cattle, therefore, is not sufficient to pay for the produce of improved and cultivated land, when they are allowed to pasture it, that price will be still less sufficient to pay for that produce when it must be collected with a good deal of addi-

tional labour, and brought into the stable to them. In these circumstances, therefore, no more cattle can, with profit, be fed in the stable than what are necessary for tillage. But these can never afford manure enough for keeping constantly in good condition, all the lands which they are capable of cultivating. What they afford being insufficient for the whole farm, will naturally be reserved for the lands to which it can be most advantageously or conveniently applied; the most fertile, or those, perhaps, in the neighbourhood of the farm-yard. These, therefore, will be kept constantly in good condition and fit for tillage. The rest will, the greater part of them, be allowed to lie waste, producing scarce anything but some miserable pasture, just sufficient to keep alive a few straggling, half-starved cattle; the farm, though much under-stocked in proportion to what would be necessary for its complete cultivation, being very frequently overstocked in proportion to its actual produce. A portion of this waste land, however, after having been pastured in this wretched manner for six or seven years together, may be ploughed up, when it will yield, perhaps, a poor crop or two of bad oats, or of some other coarse grain, and then being entirely exhausted, it must be rested and pastured again as before, and another portion ploughed up to be in the same manner exhausted and rested again in its turn. Such accordingly was the general system of management all over the low country of Scotland before the union. The lands which were kept constantly well manured and in good condition,

seldom exceeded a third or a fourth part of the whole farm, and sometimes did not amount to a fifth or a sixth part of it. The rest were never manured, but a certain portion of them was in its turn, notwithstanding, regularly cultivated and exhausted. Under this system of management, it is evident, even that part of the lands of Scotland which is capable of good cultivation, could produce but little in comparison of what it may be capable of producing. But how disadvantageous soever this system may appear, yet before the union the low price of cattle seems to have rendered it almost unavoidable. If, notwithstanding a great rise in their price, it still continues to prevail through a considerable part of the country, it is owing, in many places no doubt, to ignorance and attachment to old customs, but in most places to the unavoidable obstructions which the natural course of things opposes to the immediate or speedy establishment of a better system: first, to the poverty of the tenants, to their not having yet had time to acquire a stock of cattle sufficient to cultivate their lands more completely, the same rise of price which would render it advantageous for them to maintain a greater stock, rendering it more difficult for them to acquire it; and, secondly, to their not having yet had time to put their lands in condition to maintain this greater stock properly, supposing they were capable of acquiring it. The increase of stock and the improvement of land are two events which must go hand in hand, and of which the one can no where much out-run the other.

Without some increase of stock, there can be scarce any improvement of land, but there can be no considerable increase of stock but in consequence of a considerable improvement of land ; because otherwise the land could not maintain it. These natural obstructions to the establishment of a better system, cannot be removed but by a long course of frugality and industry ; and half a century or a century more, perhaps, must pass away before the old system, which is wearing out gradually, can be completely abolished through all the different parts of the country. Of all the commercial advantages, however, which Scotland has derived from the union with England, this rise in the price of cattle is, perhaps, the greatest. It has not only raised the value of all highland estates, but it has, perhaps, been the principal cause of the improvement of the low country.

In all new colonies the great quantity of waste land, which can for many years be applied to no other purpose but the feeding of cattle, soon renders them extremely abundant, and in every thing great cheapness is the necessary consequence of great abundance. Though all the cattle of the European colonies in America were originally carried from Europe, they soon multiplied so much there, and became of so little value, that even horses were allowed to run wild in the woods without any owner thinking it worth while to claim them. It must be a long time after the first establishment of such colonies, before it can become profitable to feed cattle upon the produce of cultivated land. The same

causes, therefore, the want of manure, and the disproportion between the stock employed in cultivation, and the land which it is destined to cultivate, are likely to introduce there a system of husbandry not unlike that which still continues to take place in so many parts of Scotland. Mr. Kalm, the Swedish traveller, when he gives an account of the husbandry of some of the English colonies in North America, as he found it in 1749, observes, accordingly, that he can with difficulty discover there the character of the English nation, so well skilled in all the different branches of agriculture. They make scarce any manure for their corn fields, he says; but when one piece of ground has been exhausted by continual cropping, they clear and cultivate another piece of fresh land; and when that is exhausted, proceed to a third. Their cattle are allowed to wander through the woods and other uncultivated grounds, where they are half-starved; having long ago extirpated almost all the annual grasses by cropping them too early in the spring, before they had time to form their flowers, or to shed their seeds*. The annual grasses were, it seems, the best natural grasses in that part of North America; and when the Europeans first settled there, they used to grow very thick, and to rise three or four feet high. A piece of ground which, when he wrote, could not maintain one cow, would in former times, he was assured, have maintained four, each of which would have

* Kalm's Travels, vol. i. p. 343, 344.—A.

given four times the quantity of milk which that one was capable of giving. The poorness of the pasture had, in his opinion, occasioned the degradation of their cattle, which degenerated sensibly from one generation to another. They were probably not unlike that stunted breed which was common all over Scotland thirty or forty years ago, and which is now so much mended through the greater part of the low country, not so much by a change of the breed, though that expedient has been employed in some places, as by a more plentiful method of feeding them.

Though it is late, therefore, in the progress of improvement before cattle can bring such a price as to render it profitable to cultivate land for the sake of feeding them ; yet of all the different parts which compose this second sort of rude produce, they are perhaps the first which bring this price ; because till they bring it, it seems impossible that improvement can be brought near even to that degree of perfection to which it has arrived in many parts of Europe.

As cattle are among the first, so perhaps venison is among the last parts of this sort of rude produce which bring this price. The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expense of a deer park, as is well known to all those who have had any experience in the feeding of deer. If it was otherwise, the feeding of deer would soon become an article of common farming, in the same manner as

the feeding of those small birds called Turdi was among the ancient Romans. Varro and Columella assure us, that it was a most profitable article. The fattening of ortolans, birds of passage which arrive lean in the country, is said to be so in some parts of France. If venison continues in fashion, and the wealth and luxury of Great Britain increase as they have done for some time past, its price may very probably rise still higher than it is at present.

Between that period in the progress of improvement which brings to its height the price of so necessary an article as cattle, and that which brings to it the price of such a superfluity as venison, there is a very long interval, in the course of which many other sorts of rude produce gradually arrive at their highest price, some sooner and some later, according to different circumstances.

Thus in every farm the offals of the barn and stables will maintain a certain number of poultry. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce anything, so he can afford to sell them for very little. Almost all that he gets is pure gain, and their price can scarce be so low as to discourage him from feeding this number. But in countries ill cultivated, and, therefore, but thinly inhabited, the poultry, which are thus raised without expense, are often fully sufficient to supply the whole demand. In this state of things, therefore, they are often as cheap as butcher's-meat, or any other sort of animal food. But the whole quantity of poultry, which

the farm in this manner produces without expense, must always be much smaller than the whole quantity of butcher's-meat which is reared upon it; and in times of wealth and luxury what is rare, with only nearly equal merit, is always preferred to what is common. As wealth and luxury increase, therefore, in consequence of improvement and cultivation, the price of poultry gradually rises above that of butcher's-meat, till at last it gets so high that it becomes profitable to cultivate land for the sake of feeding them. When it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. In several provinces of France, the feeding of poultry is considered as a very important article in rural economy, and sufficiently profitable to encourage the farmer to raise a considerable quantity of Indian corn and buckwheat for this purpose. A middling farmer will there sometimes have four hundred fowls in his yard. The feeding of poultry seems scarce yet to be generally considered as a matter of so much importance in England. They are, certainly, however, dearer in England than in France, as England receives considerable supplies from France. In the progress of improvement, the period at which every particular sort of animal food is dearest, must naturally be that which immediately precedes the general practice of cultivating land for the sake of raising it. For some time before this practice becomes general, the scarcity must necessarily raise the price. After it has become general, new methods of feeding are

commonly fallen upon, which enable the farmer to raise upon the same quantity of ground a much greater quantity of that particular sort of animal food. The plenty not only obliges him to sell cheaper, but in consequence of these improvements he can afford to sell cheaper ; for if he could not afford it, the plenty would not be of long continuance. It has been probably in this manner that the introduction of clover, turnips, carrots, cabbages, &c., has contributed to sink the common price of butcher's-meat in the London market somewhat below what it was about the beginning of the last century.

The hog, that finds his food among ordure, and greedily devours many things rejected by every other useful animal, is, like poultry, originally kept as a save-all. As long as the number of such animals, which can thus be reared at little or no expense, is fully sufficient to supply the demand, this sort of butcher's-meat comes to market at a much lower price than any other. But when the demand rises beyond what this quantity can supply, when it becomes necessary to raise food on purpose for feeding and fattening hogs, in the same manner as for feeding and fattening other cattle, the price necessarily rises, and becomes proportionably either higher or lower than that of other butcher's-meat, according as the nature of the country, and the state of its agriculture, happen to render the feeding of hogs more or less expensive than that of other cattle. In France, according to Mr. Buffon, the price of

pork is nearly equal to that of beef. In most parts of Great Britain it is at present somewhat higher.

The great rise in the price both of hogs and poultry has in Great Britain been frequently imputed to the diminution of the number of cottagers and other small occupiers of land ; an event which has in every part of Europe been the immediate forerunner of improvement and better cultivation, but which at the same time may have contributed to raise the price of those articles, both somewhat sooner and somewhat faster than it would otherwise have risen. As the poorest family can often maintain a cat or a dog, without any expense, so the poorest occupiers of land can commonly maintain a few poultry, or a sow and a few pigs, at very little. The little offals of their own table, their whey, skimmed milk and butter-milk, supply those animals with a part of their food, and they find the rest in the neighbouring fields without doing any sensible damage to any body. By diminishing the number of those small occupiers, therefore, the quantity of this sort of provisions which is thus produced at little or no expense, must certainly have been a good deal diminished, and their price must consequently have been raised both sooner and faster than it would otherwise have risen. Sooner or later, however, in the progress of improvement, it must at any rate have risen to the utmost height of which it is capable of rising ; or to the price which pays the labour and expense of cultivating the land which

furnishes them with food as well as these are paid upon the greater part of other cultivated land.

The business of the dairy, like the feeding of hogs and poultry, is originally carried on as a save-all. The cattle necessarily kept upon the farm, produce more milk than either the rearing of their own young, or the consumption of the farmer's family requires; and they produce most at one particular season. But of all the productions of land, milk is perhaps the most perishable. In the warm season, when it is most abundant, it will scarce keep four-and-twenty hours. The farmer, by making it into fresh butter, stores a small part of it for a week; by making it into salt butter, for a year; and by making it into cheese, he stores a much greater part of it for several years. Part of all these is reserved for the use of his own family. The rest goes to market, in order to find the best price which is to be had, and which can scarce be so low as to discourage him from sending thither whatever is over and above the use of his own family. If it is very low, indeed, he will be likely to manage his dairy in a very slovenly and dirty manner, and will scarce perhaps think it worth while to have a particular room or building on purpose for it, but will suffer the business to be carried on amidst the smoke, filth, and nastiness of his own kitchen; as was the case of almost all the farmers' dairies in Scotland thirty or forty years ago, and as is the case of many of them still. The same causes which gradually raise the price of butcher's-meat, the increase of the

demand, and, in consequence of the improvement of the country, the diminution of the quantity which can be fed at little or no expense, raise, in the same manner, that of the produce of the dairy, of which the price naturally connects with that of butcher's-meat, or with the expense of feeding cattle. The increase of price pays for more labour, care, and cleanliness. The dairy becomes more worthy of the farmer's attention, and the quality of its produce gradually improves. The price at last gets so high that it becomes worth while to employ some of the most fertile and best cultivated lands in feeding cattle merely for the purpose of the dairy; and when it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. It seems to have got to this height through the greater part of England, where much good land is commonly employed in this manner. If you except the neighbourhood of a few considerable towns, it seems not yet to have got to this height anywhere in Scotland, where common farmers seldom employ much good land in raising food for cattle, merely for the purpose of the dairy. The price of the produce, though it has risen very considerably within these few years, is probably still too low to admit of it. The inferiority of the quality, indeed, compared with that of the produce of English dairies, is fully equal to that of the price. But this inferiority of quality is, perhaps, rather the effect of this lowness of price than the cause of it. Though the quality was much better, the greater part of what is brought

to market could not, I apprehend, in the present circumstances of the country, be disposed of at a much better price ; and the present price, it is probable, would not pay the expense of the land and labour necessary for producing a much better quality. Through the greater part of England, notwithstanding the superiority of price, the dairy is not reckoned a more profitable employment of land than the raising of corn, or the fattening of cattle, the two great objects of agriculture. Through the greater part of Scotland, therefore, it cannot yet be even so profitable.

The lands of no country, it is evident, can ever be completely cultivated and improved, till once the price of every produce, which human industry is obliged to raise upon them, has got so high as to pay for the expense of complete improvement and cultivation. In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn-land, as it is that which regulates the rent of the greater part of other cultivated land ; and secondly, to pay the labour and expense of the farmer, as well as they are commonly paid upon good corn-land ; or, in other words, to replace with the ordinary profits the stock which he employs about it. This rise in the price of each particular produce, must evidently be previous to the improvement and cultivation of the land which is destined for raising it. Gain is the end of all improvement, and nothing could deserve that name of which loss was to be the necessary consequence. But loss

must be the necessary consequence of improving land for the sake of a produce of which the price could never bring back the expense. If the complete improvement and cultivation of the country be, as it most certainly is, the greatest of all public advantages, this rise in the price of all those different sorts of rude produce, instead of being considered as a public calamity, ought to be regarded as the necessary forerunner and attendant of the greatest of all public advantages.

This rise too in the nominal or money-price of all those different sorts of rude produce has been the effect, not of any degradation in the value of silver, but of a rise in their real price. They have become worth, not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As it costs a greater quantity of labour and subsistence to bring them to market, so when they are brought thither, they represent or are equivalent to a greater quantity.

Third Sort.

The third and last sort of rude produce, of which the price naturally rises in the progress of improvement, is that in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain. Though the real price of this sort of rude produce, therefore, naturally tends to rise in the progress of improvement, yet, according as different accidents happen to render the efforts of human industry more or less successful in augmenting

the quantity, it may happen sometimes even to fall, sometimes to continue the same in very different periods of improvement, and sometimes to rise more or less in the same period.

There are some sorts of rude produce which nature has rendered a kind of appendages to other sorts; so that the quantity of the one which any country can afford, is necessarily limited by that of the other. The quantity of wool or of raw hides, for example, which any country can afford, is necessarily limited by the number of great and small cattle that are kept in it. The state of its improvement, and the nature of its agriculture, again necessarily determine this number.

The same causes, which, in the progress of improvement, gradually raise the price of butcher's-meat, should have the same effect, it may be thought, upon the prices of wool and raw hides, and raise them too nearly in the same proportion. It probably would be so, if in the rude beginnings of improvement the market for the latter commodities was confined within as narrow bounds as that for the former. But the extent of their respective markets is commonly extremely different.

The market for butcher's-meat is almost everywhere confined to the country which produces it. Ireland, and some part of British America indeed, carry on a considerable trade in salt provisions; but they are, I believe, the only countries in the commercial world which do so, or which export to other

countries any considerable part of their butcher's-meat.

The market for wool and raw hides, on the contrary, is in the rude beginnings of improvement very seldom confined to the country which produces them. They can easily be transported to distant countries, wool without any preparation, and raw hides with very little; and as they are the materials of many manufactures, the industry of other countries may occasion a demand for them, though that of the country which produces them might not occasion any.

In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher's-meat. Mr. Hume observes, that in the Saxon times, the fleece was estimated at two-fifths of the value of the whole sheep, and that this was much above the proportion of its present estimation. In some provinces of Spain, I have been assured, the sheep is frequently killed merely for the sake of the fleece and the tallow. The carcase is often left to rot upon the ground, or to be devoured by beasts and birds of prey. If this sometimes happens even in Spain, it happens almost constantly in Chili, at Buenos-Ayres, and in many other parts of Spanish America, where the horned cattle are almost constantly killed merely for the sake of

the hide and the tallow. This too used to happen almost constantly in Hispaniola, while it was infested by the Buccaneers, and before the settlement, improvement, and populousness of the French plantations (which now extend round the coast of almost the whole western half of the island) had given some value to the cattle of the Spaniards, who still continue to possess, not only the eastern part of the coast, but the whole inland and mountainous part of the country.

Though in the progress of improvement and population, the price of the whole beast necessarily rises, yet the price of the carcase is likely to be much more affected by this rise than that of the wool and the hide. The market for the carcase, being in the rude state of society confined always to the country which produces it, must necessarily be extended in proportion to the improvement and population of that country. But the market for the wool and the hides even of a barbarous country often extending to the whole commercial world, it can very seldom be enlarged in the same proportion. The state of the whole commercial world can seldom be much affected by the improvement of any particular country; and the market for such commodities may remain the same, or very nearly the same, after such improvements, as before. It should, however, in the natural course of things, rather upon the whole be somewhat extended in consequence of them. If the manufactures, especially, of which those commodities are the materials, should ever come to flourish

in the country, the market, though it might not be much enlarged, would at least be brought much nearer to the place of growth than before ; and the price of those materials might at least be increased by what had usually been the expense of transporting them to distant countries. Though it might not rise therefore in the same proportion as that of butcher's-meat, it ought naturally to rise somewhat, and it ought certainly not to fall.

In England, however, notwithstanding the flourishing state of its woollen manufacture, the price of English wool has fallen very considerably since the time of Edward III. There are many authentic records which demonstrate that during the reign of that prince (towards the middle of the fourteenth century, or about 1339) what was reckoned the moderate and reasonable price of the tod or twenty-eight pounds of English wool, was not less than ten shillings of the money of those times*, containing, at the rate of twenty-pence the ounce, six ounces of silver Tower weight, equal to about thirty shillings of our present money. In the present times, one-and-twenty shillings the tod may be reckoned a good price for very good English wool. The money-price of wool, therefore, in the time of Edward III. was to its money-price in the present times as ten to seven. The superiority of its real price was still greater. At the rate of six shillings and eight-pence the quarter, ten shillings was in those ancient times

* See Smith's *Memoirs of Wool*, vol. i. c. 5, 6. and 7 ; also, vol. ii. c. 176.—A.

the price of twelve bushels of wheat. At the rate of twenty-eight shillings the quarter, one-and-twenty shillings is in the present times the price of six bushels only. The proportion between the real prices of ancient and modern times, therefore, is as twelve to six, or as two to one. In those ancient times a tod of wool would have purchased twice the quantity of subsistence which it will purchase at present; and consequently twice the quantity of labour, if the real recompense of labour had been the same in both periods.

This degradation both in the real and nominal value of wool, could never have happened in consequence of the natural course of things. It has accordingly been the effect of violence and artifice: First, of the absolute prohibition of exporting wool from England: Secondly, of the permission of importing it from Spain duty free: Thirdly, of the prohibition of exporting it from Ireland to any other country but England. In consequence of these regulations, the market for English wool, instead of being somewhat extended in consequence of the improvement of England, has been confined to the home market, where the wool of several other countries is allowed to come into competition with it, and where that of Ireland is forced into competition with it. As the woollen manufactures too of Ireland are fully as much discouraged as is consistent with justice and fair dealing, the Irish can work up but a small part of their own wool at home, and are, therefore, obliged to send a greater proportion

of it to Great Britain, the only market they are allowed.

I have not been able to find any such authentic records concerning the price of raw hides in ancient times. Wool was commonly paid as a subsidy to the king, and its valuation in that subsidy ascertains, at least in some degree, what was its ordinary price. But this seems not to have been the case with raw hides. Fleetwood, however, from an account in 1425, between the prior of Burcester Oxford and one of his canons, gives us their price, at least as it was stated, upon that particular occasion; viz., five ox-hides at twelve shillings; five cow-hides at seven shillings and three-pence; thirty-six sheep-skins of two years old at nine shillings; sixteen calf-skins at two shillings. In 1425, twelve shillings contained about the same quantity of silver as four-and-twenty shillings of our present money. An ox-hide, therefore, was in this account valued at the same quantity of silver as 4s. $\frac{2}{3}$ ths of our present money. Its nominal price was a good deal lower than at present. But at the rate of six shillings and eight-pence the quarter, twelve shillings would in those times have purchased fourteen bushels and four-fifths of a bushel of wheat, which, at three and sixpence the bushel, would in the present times cost 51s. 4d. An ox-hide, therefore, would in those times have purchased as much corn as ten shillings and three-pence would purchase at present. Its real value was equal to ten shillings and three-pence of our present money. In those an-

cient times when the cattle were half starved during the greater part of the winter, we cannot suppose that they were of a very large size. An ox-hide which weighs four stone of sixteen pounds of avoirdupois, is not in the present times reckoned a bad one; and in those ancient times would probably have been reckoned a very good one. But at half-a-crown the stone, which at this moment (February 1773) I understand to be the common price, such a hide would at present cost only ten shillings. Though its nominal price, therefore, is higher in the present than it was in those ancient times, its real price, the real quantity of subsistence which it will purchase or command, is rather somewhat lower. The price of cow-hides, as stated in the above account, is nearly in the common proportion to that of ox-hides. That of sheep-skins is a good deal above it. They had probably been sold with the wool. That of calves-skins, on the contrary, is greatly below it. In countries where the price of cattle is very low, the calves, which are not intended to be reared in order to keep up the stock, are generally killed very young; as was the case in Scotland twenty or thirty years ago. It saves the milk, which their price would not pay for. Their skins, therefore, are commonly good for little.

The price of raw hides is a good deal lower at present than it was a few years ago; owing probably to the taking off the duty upon seal-skins, and to the allowing, for a limited time, the importation of raw hides from Ireland and from the plantations duty free, which was done in 1769. Take the whole

of the present century at an average, their real price has probably been somewhat higher than it was in those ancient times. The nature of the commodity renders it not quite so proper for being transported to distant markets as wool. It suffers more by keeping. A salted hide is reckoned inferior to a fresh one, and sells for a lower price. This circumstance must necessarily have some tendency to sink the price of raw hides produced in a country which does not manufacture them, but is obliged to export them; and comparatively to raise that of those produced in a country which does manufacture them. It must have some tendency to sink their price in a barbarous, and to raise it in an improved and manufacturing country. It must have had some tendency therefore to sink it in ancient, and to raise it in modern times. Our tanners besides have not been quite so successful as our clothiers, in convincing the wisdom of the nation, that the safety of the commonwealth depends upon the prosperity of their particular manufacture. They have accordingly been much less favoured. The exportation of raw hides has, indeed, been prohibited, and declared a nuisance; but their importation from foreign countries has been subjected to a duty; and though this duty has been taken off from those of Ireland and the plantations (for the limited time of five years only), yet Ireland has not been confined to the market of Great Britain for the sale of its surplus hides, or of those which are not manufactured at home. The hides of common cattle have but within these few years been put among the enume-

rated commodities which the plantations can send nowhere but to the mother country ; neither has the commerce of Ireland been, in this case oppressed hitherto, in order to support the manufactures of Great Britain.

Whatever regulations tend to sink the price either of wool or of raw hides below what it naturally would be, must, in an improved and cultivated country, have some tendency to raise the price of butcher's-meat. The price both of the great and small cattle, which are fed on improved and cultivated land, must be sufficient to pay the rent which the landlord, and the profit which the farmer has reason to expect from improved and cultivated land. If it is not, they will soon cease to feed them. Whatever part of this price, therefore, is not paid by the wool and the hide, must be paid by the carcase. The less there is paid for the one, the more must be paid for the other. In what manner this price is to be divided upon the different parts of the beast, is indifferent to the landlords and farmers, provided it is all paid to them. In an improved and cultivated country, therefore, their interest as landlords and farmers cannot be much affected by such regulations, though their interest as consumers may, by the rise in the price of provisions. It would be quite otherwise, however, in an unimproved and uncultivated country, where the greater part of the lands could be applied to no other purpose but the feeding of cattle, and where the wool and the hide made the principal part of the value of those cattle. Their

interest as landlords and farmers would in this case be very deeply affected by such regulations, and their interest as consumers very little. The fall in the price of the wool and the hide would not in this case raise the price of the carcase ; because the greater part of the lands of the country being applicable to no other purpose but the feeding of cattle, the same number would still continue to be fed. The same quantity of butcher's-meat would still come to market. The demand for it would be no greater than before. Its price, therefore, would be the same as before. The whole price of cattle would fall, and along with it both the rent and the profit of all those lands of which cattle was the principal produce, that is, of the greater part of the lands of the country. The perpetual prohibition of the exportation of wool, which is commonly, but very falsely ascribed to Edward III., would, in the then circumstances of the country, have been the most destructive regulation which could well have been thought of. It would not only have reduced the actual value of the greater part of the lands of the kingdom, but by reducing the price of the most important species of small cattle, it would have retarded very much its subsequent improvement.

The wool of Scotland fell very considerably in its price in consequence of the union with England, by which it was excluded from the great market of Europe, and confined to the narrow one of Great Britain. The value of the greater part of the lands in the southern counties of Scotland, which are

chiefly a sheep country, would have been very deeply affected by this event, had not the rise in the price of butcher's-meat fully compensated the fall in the price of wool.

As the efficacy of human industry, in increasing the quantity either of wool or of raw hides, is limited, so far as it depends upon the produce of the country where it is exerted ; so it is uncertain, so far as it depends upon the produce of other countries. It so far depends, not so much upon the quantity which they produce, as upon that which they do not manufacture ; and upon the restraints which they may or may not think proper to impose upon the exportation of this sort of rude produce. These circumstances, as they are altogether independent of domestic industry, so they necessarily render the efficacy of its efforts more or less uncertain. In multiplying this sort of rude produce, therefore, the efficacy of human industry is not only limited, but uncertain.

In multiplying another very important sort of rude produce, the quantity of fish that is brought to market, it is likewise both limited and uncertain. It is limited by the local situation of the country, by the proximity or distance of its different provinces from the sea, by the number of its lakes and rivers, and by what may be called the fertility or barrenness of those seas, lakes, and rivers, as to this sort of rude produce. As population increases, as the annual produce of the land and labour of the country grows greater and greater, there come to be more buyers

of fish, and those buyers too have a greater quantity and variety of other goods, or, what is the same thing, the price of a greater quantity and variety of other goods, to buy with. But it will generally be impossible to supply the great and extended market without employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one. A market which, from requiring only one thousand, comes to require annually ten thousand ton of fish, can seldom be supplied without employing more than ten times the quantity of labour which had before been sufficient to supply it. The fish must generally be sought for at a greater distance, larger vessels must be employed, and more extensive machinery of every kind made use of. The real price of this commodity, therefore, naturally rises in the progress of improvement. It has accordingly done so, I believe, more or less, in every country.

Though the success of a particular day's fishing may be a very uncertain matter, yet, the local situation of the country being supposed, the general efficacy of industry in bringing a certain quantity of fish to market, taking the course of a year, or of several years together, it may perhaps be thought, is certain enough; and it, no doubt, is so. As it depends more, however, upon the local situation of the country, than upon the state of its wealth and industry; as upon this account it may in different countries be the same in very different periods of improvement, and very different in the same period;

its connexion with the state of improvement is uncertain, and it is of this sort of uncertainty that I am here speaking.

In increasing the quantity of the different minerals and metals which are drawn from the bowels of the earth, that of the more precious ones particularly, the efficacy of human industry seems not to be limited, but to be altogether uncertain.

The quantity of the precious metals which is to be found in any country is not limited by anything in its local situation, such as the fertility or barrenness of its own mines. Those metals frequently abound in countries which possess no mines. Their quantity in every particular country seems to depend upon two different circumstances; first, upon its power of purchasing, upon the state of its industry, upon the annual produce of its land and labour, in consequence of which it can afford to employ a greater or a smaller quantity of labour and subsistence in bringing or purchasing such superfluities as gold and silver, either from its own mines or from those of other countries; and, secondly, upon the fertility or barrenness of the mines which may happen at any particular time to supply the commercial world with those metals. The quantity of those metals in the countries most remote from the mines, must be more or less affected by this fertility or barrenness, on account of the easy and cheap transportation of those metals, of their small bulk and great value. Their quantity in China and Indostan must

have been more or less affected by the abundance of the mines of America.

So far as their quantity in any particular country depends upon the former of those two circumstances (the power of purchasing), their real price, like that of all other luxuries and superfluities, is likely to rise with the wealth and improvement of the country, and to fall with its poverty and depression. Countries which have a great quantity of labour and subsistence to spare, can afford to purchase any particular quantity of those metals at the expense of a greater quantity of labour and subsistence, than countries which have less to spare.

So far as their quantity in any particular country depends upon the latter of those two circumstances (the fertility or barrenness of the mines which happen to supply the commercial world), their real price, the real quantity of labour and subsistence which they will purchase or exchange for, will, no doubt, sink more or less in proportion to the fertility, and rise in proportion to the barrenness of those mines.

The fertility or barrenness of the mines, however, which may happen at any particular time to supply the commercial world, is a circumstance which, it is evident, may have no sort of connexion with the state of industry in a particular country. It seems even to have no very necessary connexion with that of the world in general. As arts and commerce, indeed, gradually spread themselves over a greater and a greater part of the earth, the search for new

mines, being extended over a wider surface, may have somewhat a better chance for being successful, than when confined within narrower bounds. The discovery of new mines, however, as the old ones come to be gradually exhausted, is a matter of the greatest uncertainty, and such as no human skill or industry can ensure. All indications, it is acknowledged, are doubtful, and the actual discovery and successful working of a new mine can alone ascertain the reality of its value, or even of its existence. In this search there seem to be no certain limits either to the possible success, or to the possible disappointment of human industry. In the course of a century or two, it is possible that new mines may be discovered more fertile than any that have ever yet been known ; and it is just equally possible that the most fertile mine then known may be more barren than any that was wrought before the discovery of the mines of America. Whether the one or the other of those two events may happen to take place, is of very little importance to the real wealth and prosperity of the world, to the real value of the annual produce of the land and labour of mankind. Its nominal value, the quantity of gold and silver by which this annual produce could be expressed or represented, would, no doubt, be very different ; but its real value, the real quantity of labour which it could purchase or command, would be precisely the same. A shilling might in the one case represent no more labour than a penny does at present ; and a penny in the other might represent as much as a

shilling does now. But in the one case, he who had a shilling in his pocket would be no richer than he who has a penny at present; and in the other, he who had a penny would be just as rich as he who has a shilling now. The cheapness and abundance of gold and silver plate would be the sole advantage which the world could derive from the one event, and the dearness and scarcity of those trifling superfluities the only inconveniency it could suffer from the other.

Conclusion of the Digression concerning the Variations in the Value of Silver.

The greater part of the writers who have collected the money prices of things in ancient times, seem to have considered the low money price of corn, and of goods in general, or, in other words, the high value of gold and silver, as a proof, not only of the scarcity of those metals, but of the poverty and barbarism of the country at the time when it took place. This notion is connected with the system of political economy which represents national wealth as consisting in the abundance, and national poverty in the scarcity, of gold and silver; a system which I shall endeavour to explain and examine at great length in the fourth book of this inquiry. I shall only observe at present, that the high value of the precious metals can be no proof of the poverty or barbarism of any particular country at the time when it took place. It is a proof only of the barrenness of the mines which happened at that time to supply the

commercial world. A poor country, as it cannot afford to buy more, so it can as little afford to pay dearer for gold and silver than a rich one ; and the value of those metals, therefore, is not likely to be higher in the former than in the latter. In China, a country much richer than any part of Europe, the value of the precious metals is much higher than in any part of Europe. As the wealth of Europe, indeed, has increased greatly since the discovery of the mines of America, so the value of gold and silver has gradually diminished. This diminution of their value, however, has not been owing to the increase of the real wealth of Europe, of the annual produce of its land and labour, but to the accidental discovery of more abundant mines than any that were known before. The increase of the quantity of gold and silver in Europe, and the increase of its manufactures and agriculture, are two events which, though they have happened nearly about the same time, yet have arisen from very different causes, and have scarce any natural connexion with one another. The one has arisen from a mere accident, in which neither prudence nor policy either had or could have any share : the other from the fall of the feudal system, and from the establishment of a government which afforded to industry the only encouragement which it requires, some tolerable security that it shall enjoy the fruits of its own labour. Poland, where the feudal system still continues to take place, is at this day as beggarly a country as it was before the discovery of America. The money price of

corn, however, has risen ; the real value of the precious metals has fallen in Poland, in the same manner as in other parts of Europe. Their quantity, therefore, must have increased there as in other places, and nearly in the same proportion to the annual produce of its land and labour. This increase of the quantity of those metals, however, has not, it seems, increased that annual produce, has neither improved the manufactures and agriculture of the country, nor mended the circumstances of its inhabitants. Spain and Portugal, the countries which possess the mines, are, after Poland, perhaps, the two most beggarly countries in Europe. The value of the precious metals, however, must be lower in Spain and Portugal than in any other part of Europe ; as they come from those countries to all other parts of Europe, loaded, not only with a freight and an insurance, but with the expense of smuggling, their exportation being either prohibited, or subjected to a duty. In proportion to the annual produce of the land and labour, therefore, their quantity must be greater in those countries than in any other part of Europe ; those countries, however, are poorer than the greater part of Europe. Though the feudal system has been abolished in Spain and Portugal, it has not been succeeded by a much better.

As the low value of gold and silver, therefore, is no proof of the wealth and flourishing state of the country where it takes place ; so neither is their high value, or the low money price either of goods

in general, or of corn in particular, any proof of its poverty and barbarism.

But though the low money price either of goods in general, or of corn in particular, be no proof of the poverty or barbarism of the times, the low money price of some particular sorts of goods, such as cattle, poultry, game of all kinds, &c. in proportion to that of corn, is a most decisive one. It clearly demonstrates, first, their great abundance in proportion to that of corn, and consequently the great extent of the land which they occupied in proportion to what was occupied by corn; and, secondly, the low value of this land in proportion to that of corn land, and consequently the uncultivated and unimproved state of the far greater part of the lands of the country. It clearly demonstrates that the stock and population of the country did not bear the same proportion to the extent of its territory, which they commonly do in civilized countries, and that society was at that time, and in that country, but in its infancy. From the high or low money price either of goods in general, or of corn in particular, we can infer only that the mines which at that time happened to supply the commercial world with gold and silver, were fertile or barren, not that the country was rich or poor. But from the high or low money price of some sorts of goods in proportion to that of others, we can infer, with a degree of probability that approaches almost to certainty, that it was rich or poor, that the greater part of its lands were improved or unim-

proved, and that it was either in a more or less barbarous state, or in a more or less civilized one.

Any rise in the money price of goods which proceeded altogether from the degradation of the value of silver, would affect all sorts of goods equally, and raise their price universally a third, or a fourth, or a fifth part higher, according as silver happened to lose a third, or a fourth, or a fifth part of its former value. But the rise in the price of provisions, which has been the subject of so much reasoning and conversation, does not affect all sorts of provisions equally. Taking the course of the present century at an average, the price of corn, it is acknowledged, even by those who account for this rise by the degradation of the value of silver, has risen much less than that of some other sorts of provisions. The rise in the price of those other sorts of provisions, therefore, cannot be owing altogether to the degradation of the value of silver. Some other causes must be taken into the account, and those which have been above assigned, will, perhaps, without having recourse to the supposed degradation of the value of silver, sufficiently explain this rise in those particular sorts of provisions of which the price has actually risen in proportion to that of corn.

As to the price of corn itself, it has, during the sixty-four first years of the present century, and before the late extraordinary course of bad seasons, been somewhat lower than it was during the sixty-four last years of the preceding century. This fact

is attested, not only by the accounts of Windsor market, but by the public fiars of all the different counties of Scotland, and by the accounts of several different markets in France, which have been collected with great diligence and fidelity by Mr. Mesance and by Mr. Duprè de St. Maur. The evidence is more complete than could well have been expected in a matter which is naturally so very difficult to be ascertained.

As to the high price of corn during these last ten or twelve years, it can be sufficiently accounted for from the badness of the seasons, without supposing any degradation in the value of silver.

The opinion, therefore, that silver is continually sinking in its value, seems not to be founded upon any good observations, either upon the prices of corn, or upon those of other provisions.

The same quantity of silver, it may, perhaps, be said, will in the present times, even according to the account which has been here given, purchase a much smaller quantity of several sorts of provisions than it would have done during some part of the last century ; and to ascertain whether this change be owing to a rise in the value of those goods, or to a fall in the value of silver, is only to establish a vain and useless distinction, which can be of no sort of service to the man who has only a certain quantity of silver to go to market with, or a certain fixed revenue in money. I certainly do not pretend that the knowledge of this distinction will enable

him to buy cheaper. It may not, however, upon that account be altogether useless.

It may be of some use to the public by affording, an easy proof of the prosperous condition of the country. If the rise in the price of some sorts of provisions be owing altogether to a fall in the value of silver, it is owing to a circumstance from which nothing can be inferred but the fertility of the American mines. The real wealth of the country, the annual produce of its land and labour, may, notwithstanding this circumstance, be either gradually declining, as in Portugal and Poland ; or gradually advancing, as in most other parts of Europe. But if this rise in the price of some sorts of provisions be owing to a rise in the real value of the land which produces them, to its increased fertility ; or, in consequence of more extended improvement and good cultivation, to its having been rendered fit for producing corn ; it is owing to a circumstance which indicates in the clearest manner the prosperous and advancing state of the country. The land constitutes by far the greatest, the most important, and the most durable part of the wealth of every extensive country. It may surely be of some use, or, at least, it may give some satisfaction to the public, to have so decisive a proof of the increasing value of by far the greatest, the most important, and the most durable part of its wealth.

It may too be of some use to the public in regulating the pecuniary reward of some of its inferior servants. If this rise in the price of some sorts of

provisions be owing to a fall in the value of silver, their pecuniary reward, provided it was not too large before, ought certainly to be augmented in proportion to the extent of this fall. If it is not augmented, their real recompense will evidently be so much diminished. But if this rise of price is owing to the increased value, in consequence of the improved fertility of the land which produces such provisions, it becomes a much nicer matter to judge either in what proportion any pecuniary reward ought to be augmented, or whether it ought to be augmented at all. The extension of improvement and cultivation, as it necessarily raises more or less, in proportion to the price of corn, that of every sort of animal food, so it as necessarily lowers that of, I believe, every sort of vegetable food. It raises the price of animal food; because a great part of the land which produces it, being rendered fit for producing corn, must afford to the landlord and farmer the rent and profit of corn land. It lowers the price of vegetable food; because, by increasing the fertility of the land, it increases its abundance. The improvements of agriculture too introduce many sorts of vegetable food, which, requiring less land and not more labour than corn, come much cheaper to market. Such are potatoes and maize, or what is called Indian corn, the two most important improvements which the agriculture of Europe, perhaps, which Europe itself, has received from the great extension of its commerce and navigation. Many sorts of vegetable food, besides, which in the

rude state of agriculture are confined to the kitchen-garden, and raised only by the spade, come in its improved state to be introduced into common fields, and to be raised by the plough: such as turnips, carrots, cabbages, &c. If in the progress of improvement, therefore, the real price of one species of food necessarily rises, that of another as necessarily falls, and it becomes a matter of more nicety to judge how far the rise in the one may be compensated by a fall in the other. When the real price of butcher's meat has once got to its height (which, with regard to every sort, except, perhaps, that of hogs' flesh, it seems to have done through a great part of England more than a century ago), any rise which can afterwards happen in that of any other sort of animal food, cannot much affect the circumstances of the inferior ranks of people. The circumstances of the poor through a great part of England cannot surely be so much distressed by any rise in the price of poultry, fish, wild-fowl, or venison, as they must be relieved by the fall in that of potatoes.

In the present season of scarcity the high price of corn no doubt distresses the poor. But in times of moderate plenty, when corn is at its ordinary or average price, the natural rise in the price of any other sort of rude produce cannot much affect them. They suffer more, perhaps, by the artificial rise which has been occasioned by taxes in the price of some manufactured commodities; as of salt, soap, leather, candles, malt, beer, and ale, &c.

*Effects of the Progress of Improvement upon the
real Price of Manufactures.*

It is the natural effect of improvement, however, to diminish gradually the real price of almost all manufactures. That of the manufacturing workmanship diminishes, perhaps, in all of them without exception. In consequence of better machinery, of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work; and though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of the quantity will generally much more than compensate the greatest rise which can happen in the price.

There are, indeed, a few manufactures, in which the necessary rise in the real price of the rude materials will more than compensate all the advantages which improvement can introduce into the execution of the work. In carpenters' and joiners' work, and in the coarser sort of cabinet work, the necessary rise in the real price of barren timber, in consequence of the improvement of land, will more than compensate all the advantages which can be derived from the best machinery, the greatest dexterity, and the most proper division and distribution of work.

But in all cases in which the real price of the rude materials either does not rise at all, or does not rise very much, that of the manufactured commodity sinks very considerably.

This diminution of price has, in the course of the present and preceding century, been most remarkable in those manufactures of which the materials are the coarser metals. A better movement of a watch, than about the middle of the last century could have been bought for twenty pounds, may now perhaps be had for twenty shillings. In the work of cutlers and locksmiths, in all the toys which are made of the coarser metals, and in all those goods which are commonly known by the name of Birmingham and Sheffield ware, there has been, during the same period, a very great reduction of price, though not altogether so great as in watch-work. It has, however, been sufficient to astonish the workmen of every other part of Europe, who in many cases acknowledge that they can produce no work of equal goodness for double, or even for triple the price. There are perhaps no manufactures in which the division of labour [employments] can be carried further, or in which the machinery employed admits of a greater variety of improvements, than those of which the materials are the coarser metals.

In the clothing manufacture there has, during the same period, been no such sensible reduction of price. The price of superfine cloth, I have been assured, on the contrary, has, within these five-and-twenty or thirty years, risen somewhat in proportion

to its quality ; owing, it was said, to a considerable rise in the price of the material, which consists altogether of Spanish wool. That of the Yorkshire cloth, which is made altogether of English wool, is said indeed, during the course of the present century, to have fallen a good deal in proportion to its quality. Quality, however, is so very disputable a matter, that I look upon all information of this kind as somewhat uncertain. In the clothing manufacture, the division of labour [employments] is nearly the same now as it was a century ago, and the machinery employed is not very different. There may, however, have been some small improvements in both, which may have occasioned some reduction of price.

But the reduction will appear much more sensible and undeniable, if we compare the price of this manufacture in the present times with what it was in a much remoter period, towards the end of the fifteenth century, when the labour was [employments were] probably much less subdivided, and the machinery employed much more imperfect, than it is at present.

In 1487, being the 4th of Henry VII., it was enacted, that “whosoever shall sell by retail a broad yard of the finest scarlet grained, or of other grained cloth of the finest making, above sixteen shillings, shall forfeit forty shillings for every yard so sold.” Sixteen shillings, therefore, containing about the same quantity of silver as four-and-twenty shillings of our present money, was, at that time, reckoned not an unreasonable price for a yard of the finest cloth ; and as this is a sumptuary law, such cloth,

it is probable, had usually been sold somewhat dearer. A guinea may be reckoned the highest price in the present times. Even though the quality of the cloths, therefore, should be supposed equal, and that of the present times is most probably much superior, yet, even upon this supposition, the money price of the finest cloth appears to have been considerably reduced since the end of the fifteenth century. But its real price has been much more reduced. Six shillings and eight-pence was then, and long afterwards, reckoned the average price of a quarter of wheat. Sixteen shillings, therefore, was the price of two quarters and more than three bushels of wheat. Valuing a quarter of wheat in the present times at eight-and-twenty shillings, the real price of a yard of fine cloth must, in those times, have been equal to at least three pounds six shillings and sixpence of our present money. The man who bought it must have parted with the command of a quantity of labour and subsistence equal to what that sum would purchase in the present times.

The reduction in the real price of the coarse manufacture, though considerable, has not been so great as in that of the fine.

In 1463, being the 3d of Edward IV. it was enacted, that "no servant in husbandry, nor common labourer, nor servant to any artificer inhabiting out of a city or burgh, shall use or wear in their clothing any cloth above two shillings the broad yard." In the 3d of Edward IV. two shillings contained very nearly the same quantity of silver as four of our

present money. But the Yorkshire cloth, which is now sold at four shillings the yard, is probably much superior to any that was then made for the wearing of the very poorest order of common servants. Even the money price of their clothing, therefore, may, in proportion to the quality, be somewhat cheaper in the present than it was in those ancient times. The real price is certainly a good deal cheaper. Ten-pence was then reckoned what is called the moderate and reasonable price of a bushel of wheat. Two shillings, therefore, was the price of two bushels and near two pecks of wheat, which in the present times, at three shillings and sixpence the bushel, would be worth eight shillings and nine-pence. For a yard of this cloth the poor servant must have parted with the power of purchasing a quantity of subsistence equal to what eight shillings and nine-pence would purchase in the present times. This is a sumptuary law too, restraining the luxury and extravagance of the poor. Their clothing, therefore, had commonly been much more expensive.

The same order of people are, by the same law, prohibited from wearing hose, of which the price should exceed fourteen-pence the pair, equal to about eight-and-twenty pence of our present money. But fourteen-pence was in those times the price of a bushel and near two pecks of wheat ; which, in the present times, at three and sixpence the bushel, would cost five shillings and three-pence. We should in the present times consider this as a very high price for a pair of stockings to a servant of the

poorest and lowest order. He must, however, in those times have paid what was really equivalent to this price for them.

In the time of Edward IV. the art of knitting stockings was probably not known in any part of Europe. Their hose were made of common cloth, which may have been one of the causes of their dearness. The first person that wore stockings in England is said to have been Queen Elizabeth. She received them as a present from the Spanish ambassador.

Both in the coarse and in the fine woollen manufacture, the machinery employed was much more imperfect in those ancient, than it is in the present times. It has since received three very capital improvements, besides, probably, many smaller ones of which it may be difficult to ascertain either the number or the importance. The three capital improvements are: first, The exchange of the rock and spindle for the spinning-wheel, which, with the same quantity of labour, will perform more than double the quantity of work. Secondly, the use of several very ingenious machines which facilitate and abridge in a still greater proportion the winding of the worsted and woollen yarn, or the proper arrangement of the warp and woof before they are put into the loom; an operation which, previous to the invention of those machines, must have been extremely tedious and troublesome. Thirdly, the employment of the fulling mill for thickening the cloth, instead of treading it in water. Neither wind nor water mills

of any kind were known in England so early as the beginning of the sixteenth century, nor, so far as I know, in any other part of Europe north of the Alps. They had been introduced into Italy some time before.

The consideration of these circumstances may, perhaps, in some measure explain to us why the real price both of the coarse and of the fine manufacture, was so much higher in those ancient, than it is in the present times. It cost a greater quantity of labour to bring the goods to market. When they were brought thither, therefore, they must have purchased or exchanged for the price of a greater quantity.

The coarse manufacture probably was, in those ancient times, carried on in England, in the same manner as it always has been in countries where arts and manufactures are in their infancy. It was probably a household manufacture, in which every different part of the work was occasionally performed by all the different members of almost every private family; but so as to be their work only when they had nothing else to do, and not to be the principal business from which any of them derived the greater part of their subsistence. The work which is performed in this manner, it has already been observed, comes always much cheaper to market than that which is the principal or sole fund of the workman's subsistence. The fine manufacture, on the other hand, was not in those times carried on in England, but in the rich and commercial country of Flanders;

and it was probably conducted then, in the same manner as now, by people who derived the whole, or the principal part of their subsistence from it. It was besides a foreign manufacture, and must have paid some duty, the ancient custom of tonnage and poundage at least, to the king. This duty, indeed, would not probably be very great. It was not then the policy of Europe to restrain, by high duties, the importation of foreign manufactures, but rather to encourage it, in order that merchants might be enabled to supply, at as easy a rate as possible, the great men with the conveniencies and luxuries which they wanted, and which the industry of their own country could not afford them.

The consideration of these circumstances may perhaps in some measure explain to us why, in those ancient times, the real price of the coarse manufacture was, in proportion to that of the fine, so much lower than in the present times.

CONCLUSION OF THE CHAPTER.

I shall conclude this very long chapter with observing that every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of other people.

The extension of improvement and cultivation

tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce.

That rise in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of their being still further extended, the rise in the price of cattle, for example, tends too to raise the rent of land directly, and in a still greater proportion. The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share to the whole produce rises with it. That produce, after the rise in its real price, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employs that labour. A greater proportion of it must, consequently, belong to the landlord.

All those improvements in the productive powers of labour, which tend directly to reduce the real price of manufactures, tend indirectly to raise the real rent of land. The landlord exchanges that part of his rude produce, which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce. Whatever reduces the real price of the latter, raises that of the former. An equal quantity of the former becomes thereby equivalent to a greater quantity of the latter ; and the landlord is enabled to purchase

a greater quantity of the conveniencies, ornaments, or luxuries, which he has occasion for.

Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it, tends indirectly to raise the real rent of land. A certain proportion of this labour naturally goes to the land. A great number of men and cattle are employed in its cultivation, the produce increases with the increase of the stock which is thus employed in raising it, and the rent increases with the produce.

The contrary circumstances, the neglect of cultivation and improvement, the fall in the real price of any part of the rude produce of land, the rise in the real price of manufactures from the decay of manufacturing art and industry, the declension of the real wealth of the society, all tend, on the other hand, to lower the real rent of land, to reduce the real wealth of the landlord, to diminish his power of purchasing either the labour, or the produce of the labour of other people.

The whole annual produce of the land and labour of every country, or what comes to the same thing; the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original and constituent orders of every civilized society, from

whose revenue that of every other order is ultimately derived.

The interest of the first of those three great orders, it appears from what has been just now said, is strictly and inseparably connected with the general interest of the society. Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other. When the public deliberates concerning any regulation of commerce or police, the proprietors of land never can mislead it, with a view to promote the interest of their own particular order; at least, if they have any tolerable knowledge of that interest. They are, indeed, too often defective in this tolerable knowledge. They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.

The interest of the second order, that of those who live by wages, is as strictly connected with the interest of the society as that of the first. The wages of the labourer, it has already been shown, are never so high as when the demand for labour is continually rising, or when the quantity employed is every year increasing considerably. When this real wealth of the society becomes stationary, his wages

are soon reduced to what is barely enough to enable him to bring up a family, or to continue the race of labourers. When the society declines, they fall even below this. The order of proprietors may, perhaps, gain more by the prosperity of the society, than that of labourers: but there is no order that suffers so cruelly from its decline. But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest, or of understanding its connexion with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed. In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but their own particular purposes.

His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit, which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. But the rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension of the society. On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries

which are going fastest to ruin.* The interest of this third order, therefore, has not the same connexion with the general interest of the society as that of the other two. Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour (which it has not been upon every occasion), is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his. It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the public, from a very simple but honest conviction, that their interest, and not his, was the interest of the public. The interest of the dealers,

* This looks like a mere slip of the pen. "Going to ruin" signifies the progressive waste of capital, by means of investment with loss instead of profit.—E.

however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public ; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

Years XII.	Price of the Quarter of Wheat each Year.	Average of the dif- ferent Prices of the same Year.	The average Price of each Year in Money of the present Times.
	£ s. d.	£ s. d.	£ s. d.
1202	0 12 0	0 0 0	1 16 0
	{ 0 12 0 }		
1205	{ 0 13 4 }	0 13 5	2 0 3
	{ 0 15 0 }		
1223	0 12 0	0 0 0	1 16 0
1237	0 3 4	0 0 0	0 10 0
1243	0 2 0	0 0 0	0 6 0
1244	0 2 0	0 0 0	0 6 0
1246	0 16 0	0 0 0	2 8 0
1247	0 13 4	0 0 0	2 0 0
1257	1 4 0	0 0 0	3 12 0
	{ 1 0 0 }		
1258	{ 0 15 0 }	0 17 0	2 11 0
	{ 0 16 0 }		
	{ 4 16 0 }		
1270	{ 6 8 0 }	5 12 0	16 16 0
	{ 0 2 8 }		
1286	{ 0 16 0 }	0 9 4	1 8 0
Total, . . .			35 9 3
Average Price, . . .			2 19 14

Years XII.	Price of the Quarter of Wheat each Year.	Average of the dif- ferent Prices of the same Year.	The average Price of each Year in Money of the present Times.
1287	£ s. d. 0 3 4	£ s. d. 0 0 0	£ s. d. 0 10 0
	{ 0 0 8 0 1 0 0 1 4 0 1 6 0 1 8 0 2 0 0 3 4 0 9 4 0 12 0 0 6 0 0 2 0 0 10 8 1 0 0 }		
1288		0 3 0½	0 9 0¾
	{ 0 12 0 0 6 0 0 2 0 0 10 8 1 0 0 }		
1289		0 10 1½	1 10 4½
1290	0 16 0	0 0 0	2 8 0
1294	0 16 0	0 0 0	2 8 0
1302	0 4 0	0 0 0	0 12 0
1309	0 7 2	0 0 0	1 1 6
1315	1 0 0	0 0 0	3 0 0
	{ 1 0 0 1 10 0 1 12 0 2 0 0 2 4 0 0 14 0 2 13 0 4 0 0 0 6 8 }		
1316		1 10 6	4 11 6
	{ 2 13 0 4 0 0 0 6 8 }		
1317		1 19 6	5 18 6
1336	0 2 0	0 0 0	0 6 0
1338	0 3 4	0 0 0	0 10 0
Total,			23 4 11½
Average Price,			1 18 8

Years XII.	Price of the Quarter of Wheat each Year.	Average of the dif- ferent Prices of the same Year.	The average Price of each Year in Money of the present Times.
	£ s. d.	£ s. d.	£ s. d.
1339	0 9 0	0 0 0	1 7 0
1349	0 2 0	0 0 0	0 5 2
1359	1 6 8	0 0 0	3 2 2
1361	0 2 0	0 0 0	0 4 8
1363	0 15 0	0 0 0	1 15 0
1369	{ 1 0 0 } { 1 4 0 }	1 2 0	2 9 4
1379	0 4 0	0 0 0	0 9 4
1387	0 2 0	0 0 0	0 4 8
1390	{ 0 13 4 } { 0 14 0 } { 0 16 0 }	0 14 5	1 13 7
1401	0 16 0	0 0 0	1 17 4
1407	{ 0 4 4 ³ / ₄ } { 0 3 4 }	0 3 10	0 8 11
1416	0 16 0	0 0 0	1 12 0
Total, . . .			15 9 4
Average Price, . . .			1 5 9 ¹ / ₂
1423	0 8 0	0 0 0	0 16 0
1425	0 4 0	0 0 0	0 8 0
1434	1 6 8	0 0 0	2 13 4
1435	0 5 4	0 0 0	0 10 8
1439	{ 1 0 0 } { 1 6 8 }	1 3 4	2 6 8
1440	1 4 0	0 0 0	2 8 0
1444	{ 0 4 4 } { 0 4 0 }	0 4 2	0 8 4
1445	0 4 6	0 0 0	0 9 0
1447	0 8 0	0 0 0	0 16 0
1448	0 6 8	0 0 0	0 13 4
1449	0 5 0	0 0 0	0 10 0
1451	0 8 0	0 0 0	0 16 0
Total, . . .			12 15 4
Average Price, . . .			1 1 3 ¹ / ₂

Years XII.	Price of the Quarter of Wheat each Year.	Average of the dif- ferent Prices of the same Year.	The average Price of each Year in Money of the present Times.
	£ s. d.	£ s. d.	£ s. d.
1453	0 5 4	0 0 0	0 10 8
1455	0 1 2	0 0 0	0 2 4
1457	0 7 8	0 0 0	0 15 4
1459	0 5 0	0 0 0	0 10 0
1460	0 8 0	0 0 0	0 16 0
1463	{ 0 2 0 } { 0 1 8 }	0 1 10	0 3 8
1464	0 6 8	0 0 0	0 10 0
1486	1 4 0	0 0 0	1 17 0
1491	0 14 8	0 0 0	1 2 0
1494	0 4 0	0 0 0	0 6 0
1495	0 3 4	0 0 0	0 5 0
1497	1 0 0	0 0 0	1 11 0
Total,			8 9 0
Average Price,			0 14 1
1499	0 4 0	0 0 0	0 6 0
1504	0 5 8	0 0 0	0 8 6
1521	1 0 0	0 0 0	1 10 0
1551	0 8 0	0 0 0	0 2 0
1553	0 8 0	0 0 0	0 8 0
1554	0 8 0	0 0 0	0 8 0
1555	0 8 0	0 0 0	0 8 0
1556	0 8 0	0 0 0	0 8 0
1557	{ 0 4 0 } { 0 5 0 } { 0 8 0 } { 2 13 4 }	0 17 8½	0 17 8½
1558	0 8 0	0 0 0	0 8 0
1559	0 8 0	0 0 0	0 8 0
1560	0 8 0	0 0 0	0 8 0
Total,			6 0 2½
Average Price,			0 10 0½

Years XII.	Price of the Quarter of Wheat each Year.	Average of the dif- ferent Prices of the same Year.	The average Price of each Year in Money of the present Times.
	£ s. d.	£ s. d.	£ s. d.
1561	0 8 0	0 0 0	0 8 0
1562	0 8 0	0 0 0	0 8 0
1574	{ 2 16 0 1 4 0 }	2 0 0	2 0 0
1587	3 4 0	0 0 0	3 4 0
1594	2 16 0	0 0 0	2 16 0
1595	2 13 0	0 0 0	2 13 0
1596	4 0 0	0 0 0	4 0 0
1597	{ 5 4 0 4 0 0 }	4 12 0	4 12 0
1598	2 16 8	0 0 0	2 16 8
1599	1 19 2	0 0 0	1 19 2
1600	1 17 8	0 0 0	1 17 8
1601	1 14 10	0 0 0	1 14 10
Total, . . .			28 9 4
Average Price, . . .			2 7 5½

Wheat per Quarter.				Wheat per Quarter.			
Years.	£.	s.	d.	Years.	£.	s.	d.
1637 . . .	2	13	0	Brought over,	62	10	0
1638 . . .	2	17	4	1663 . . .	2	17	0
1639 . . .	2	4	10	1664 . . .	2	0	6
1640 . . .	2	4	8	1665 . . .	2	9	4
1641 . . .	2	8	0	1666 . . .	1	16	0
1642 } Wanting in the	0	0	0	1667 . . .	1	16	0
1643 } account. The	0	0	0	1668 . . .	2	0	0
1644 } year 1646 sup-	0	0	0	1669 . . .	2	4	4
1645 } plied by Bishop	0	0	0	1670 . . .	2	1	8
				1671 . . .	2	2	0
				1672 . . .	2	1	0
1646 . . .	2	8	0	1673 . . .	2	6	8
1647 . . .	3	13	8	1674 . . .	3	8	8
1648 . . .	4	5	0	1675 . . .	3	4	8
1649 . . .	4	0	0	1676 . . .	1	18	0
1650 . . .	3	16	8	1677 . . .	2	2	0
1651 . . .	3	13	4	1678 . . .	2	19	0
1652 . . .	2	9	6	1679 . . .	3	0	0
1653 . . .	1	15	6	1680 . . .	2	5	0
1654 . . .	1	6	0	1681 . . .	2	6	8
1655 . . .	1	13	4	1682 . . .	2	4	0
1656 . . .	2	3	0	1683 . . .	2	0	0
1657 . . .	2	6	8	1684 . . .	2	4	0
1658 . . .	3	5	0	1685 . . .	2	6	8
1659 . . .	3	6	0	1686 . . .	1	14	0
1660 . . .	2	16	6	1687 . . .	1	5	2
1661 . . .	3	10	0				
1662 . . .	3	14	0				
Carry over,	62	10	0	Carry over,	119	2	4

Wheat per Quarter.				Wheat per Quarter.			
Years.	£.	s.	d.	Years.	£.	s.	d.
Brt. over,	119	2	4	1701	.	1	17 8
1688	.	2	6 0	1702	.	1	9 6
1689	.	1	10 0	1703	.	1	16 0
1690	.	1	14 8	1704	.	2	6 6
1691	.	1	14 0	1705	.	1	10 0
1692	.	2	6 8	1706	.	1	6 0
1693	.	3	7 8	1707	.	1	8 6
1694	.	3	4 0	1708	.	2	1 6
1695	.	2	13 0	1709	.	3	18 6
1696	.	3	11 0	1710	.	3	18 0
1697	.	3	0 0	1711	.	2	14 0
1698	.	3	8 4	1712	.	2	6 4
1699	.	3	4 0	1713	.	2	11 0
1700	.	2	0 0	1714	.	2	10 4
<hr/>				1715	.	2	3 0
60)	153	1	8	1716	.	2	8 0
<hr/>				1717	.	2	5 8
	2	11	0½	1718	.	1	18 10
<hr/>				1719	.	1	15 0
				1720	.	1	17 0
				1721	.	1	17 6
				1722	.	1	16 0
				1723	.	1	14 8
				1724	.	1	17 0
				1725	.	2	8 6
				1726	.	2	6 0
				<hr/>			
				Carry over,	56	1	0
				<hr/>			

Years.	Wheat per Quarter.		
	£.	s.	d.
Brought over, 56	1	0	
1727 . .	2	2	0
1728 . .	2	14	6
1729 . .	2	6	10
1730 . .	1	16	6
1731 . .	1	12	10
1732 . .	1	6	8
1733 . .	1	8	4
1734 . .	1	18	10
1735 . .	2	3	0
1736 . .	2	0	4
1737 . .	1	18	0
1738 . .	1	15	6
1739 . .	1	18	6
1740 . .	2	10	8
1741 . .	2	6	8
1742 . .	1	14	0
1743 . .	1	4	10
1744 . .	1	4	10
1745 . .	1	7	6
1746 . .	1	19	0
1747 . .	1	14	10
1748 . .	1	17	0
1749 . .	1	17	0
1750 . .	1	12	6
1751 . .	1	18	6
<hr/>			
Carry over, 102	10	2	
<hr/>			

Years.	Wheat per Quarter.		
	£.	s.	d.
Brt. over, 102	10	2	
1752 . .	2	1	10
1753 . .	2	4	8
1754 . .	1	14	8
1755 . .	1	13	10
1756 . .	2	5	3
1757 . .	3	0	0
1758 . .	2	10	0
1759 . .	1	19	10
1760 . .	1	16	6
1761 . .	1	10	3
1762 . .	1	19	0
1763 . .	2	0	9
1764 . .	2	6	9

64) 129 13 6

2 0 6 $\frac{1}{2}$

Wheat per Quarter.				Wheat per Quarter.			
Years.	£.	s.	d.	Years.	£.	s.	d.
1731 . .	1	12	10	1741 . .	2	6	8
1732 . .	1	6	8	1742 . .	1	14	0
1733 . .	1	8	4	1743 . .	1	4	10
1734 . .	1	18	10	1744 . .	1	4	10
1735 . .	2	3	0	1745 . .	1	7	6
1736 . .	2	0	4½	1746 . .	1	19	0
1737 . .	1	18	0	1747 . .	1	14	10
1738 . .	1	15	6	1748 . .	1	17	0
1739 . .	1	18	6	1749 . .	1	17	0
1740 . .	2	10	8	1750 . .	1	12	6
<hr/>				<hr/>			
10) 18 12 8				10) 16 18 2			
<hr/>				<hr/>			
1 17 3½				1 13 9½			
<hr/>				<hr/>			

NOTE

ON CHAPTER XI., BOOK I.

THOSE parts of the present very long chapter, which really belong to the subject of rent, are generally considered to form the most defective and erroneous portion of the text. Though this treatise abounds in interesting historical details, in admirable illustrations, and in incidental reflections of the greatest value, which last perhaps contain the germs of the whole truth, still, it leaves no distinct impression as to the nature and causes of rent. What the editor of Bentham's *Rationale of Reward* has said of Adam Smith's entire work, seems to be especially applicable to this chapter. The author has not "simplified his subject by referring every thing to one principle ; a principle which should bring all his reasonings into a very small circle, and serve to unite in one bundle these observations which cannot be so easily grasped when they are disunited. Had he clearly recognized such a principle, he would have made it the centre of his system : it would have been the foundation upon which he would have erected his whole superstructure, and he would have been spared a multitude of repetitions and windings."

His own conceptions are seldom precise : sometimes, they are not only vague but contradictory. At one time, he seems to fancy, that rent exists because "as soon as the land of any country has become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce";* because, in short, the owners of land choose that rent shall be paid : at another time, he declares that rent is the highest payment for the use of land, which the tenant can afford to make under actual circumstances, and, consequently, that the amount of rent is not, at all determined by the landlord's pleasure. Here, he supposes that prices rise because rent increases ; there, that rent increases because prices rise. The distinctions too, which he draws between different sorts of produce, as affording and not affording rent, and between different circumstances under which the same sort of produce will, and will not afford rent, though in great measure perhaps agreeable to truth, still, being made without reference to any guiding principle, have the air of being drawn rather with the view to a display of ingenuity, than of truths founded on fact and reason. The richest materials are all but wasted, for want of a leading principle whereby to arrange and connect them.

Subsequent writers, accordingly, have endeavoured to supply this great defect of Adam Smith's work, by referring all the phenomena to a single principle.

* See Vol. I., p. 134.

What is the nature of rent? What are the causes of an increase or decrease of rent? These were the problems to be solved. The same solution of them occurred at the same time to three persons who had not communicated with each other, and whose names have been made illustrious by the discovery,—Sir Edward West, Mr. Malthus, and Mr. Ricardo.

The “Ricardo theory of rent,” as it is usually termed, being considered the most important of modern additions to the science of political economy, and furnishing also an instrument by which the rich but disordered treasures of Adam Smith’s inquiry concerning rent may be turned to good account, deserves the most ample notice in this commentary. I shall therefore place it here, in the very words, first of Mr. Ricardo, and next of his celebrated disciple Mr. Mill.

‘ON RENT.*

‘ It remains however to be considered, whether the
‘ appropriation of land, and the consequent creation
‘ of rent, will occasion any variation in the relative
‘ value of commodities, independently of the quantity
‘ of labour necessary to production. In order to
‘ understand this part of the subject, we must inquire
‘ into the nature of rent, and the laws by which its
‘ rise or fall is regulated.

* From the *Principles of Political Economy and Taxation*.
By David Ricardo, Esq.—3rd edition. This work is out of
print.

‘ Rent is that portion of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil. It is often, however, confounded with the interest and profit of capital, and, in popular language, the term is applied to whatever is annually paid by a farmer to his landlord. If, of two adjoining farms of the same extent, and of the same natural fertility, one had all the conveniences of farming buildings, and, besides, were properly drained and manured, and advantageously divided by hedges, fences and walls, while the other had none of these advantages, more remuneration would naturally be paid for the use of one, than for the use of the other ; yet in both cases this remuneration would be called rent. But it is evident, that a portion only of the money annually to be paid for the improved farm, would be given for the original and indestructible powers of the soil ; the other portion would be paid for the use of the capital which had been employed in ameliorating the quality of the land, and in erecting such buildings as were necessary to secure and preserve the produce. Adam Smith sometimes speaks of rent, in the strict sense to which I am desirous of confining it, but more often in the popular sense, in which the term is usually employed. He tells us, that the demand for timber, and its consequent high price, in the more southern countries of Europe, caused a rent to be paid for forests in Norway, which could before afford no rent. Is it not, however, evident, that

‘ the person who paid what he thus calls rent, paid
‘ it in consideration of the valuable commodity which
‘ was then standing on the land, and that he actually
‘ repaid himself with a profit, by the sale of the
‘ timber? If, indeed, after the timber was removed,
‘ any compensation were paid to the landlord for the
‘ use of the land, for the purpose of growing timber
‘ or any other produce, with a view to future demand,
‘ such compensation might justly be called rent, be-
‘ cause it would be paid for the productive powers of
‘ the land ; but in the case stated by Adam Smith,
‘ the compensation was paid for the liberty of re-
‘ moving and selling the timber, and not for the
‘ liberty of growing it. He speaks also of the rent
‘ of coal mines, and of stone quarries, to which the
‘ same observation applies—that the compensation
‘ given for the mine or quarry, is paid for the value
‘ of the coal or stone which can be removed from
‘ them, and has no connexion with the original and
‘ indestructible powers of the land. This is a dis-
‘ tinction of great importance, in an inquiry con-
‘ cerning rent and profits ; for it is found, that the
‘ laws which regulate the progress of rent are widely
‘ different from those which regulate the progress of
‘ profits, and seldom operate in the same direction.
‘ In all improved countries, that which is annually
‘ paid to the landlord, partaking of both characters,
‘ rent and profit, is sometimes kept stationary by the
‘ effects of opposing causes ; at other times advances
‘ or recedes, as one or the other of these causes pre-
‘ ponderates. In the future pages of this work, then,

‘ whenever I speak of the rent of land, I wish to be
‘ understood as speaking of that compensation, which
‘ is paid to the owner of the land for the use of its
‘ original and indestructible powers.

‘ On the first settling of a country in which there
‘ is an abundance of rich and fertile land, a very small
‘ proportion of which is required to be cultivated
‘ for the support of the actual population, or indeed
‘ can be cultivated with the capital which the popu-
‘ lation can command, there will be no rent ; for no
‘ one would pay for the use of land, when there was
‘ an abundant quantity not yet appropriated, and,
‘ therefore, at the disposal of whosoever might choose
‘ to cultivate it.

‘ On the common principles of supply and demand,
‘ no rent could be paid for such land, for the reason
‘ stated why nothing is given for the use of air and
‘ water, or for any other of the gifts of nature which
‘ exist in boundless quantity. With a given quantity
‘ of materials, and with the assistance of the pressure
‘ of the atmosphere, and the elasticity of steam,
‘ engines may perform work, and abridge human
‘ labour to a very great extent ; but no charge is
‘ made for the use of these natural aids, because they
‘ are inexhaustible, and at every man’s disposal. In
‘ the same manner the brewer, the distiller, the dyer,
‘ make incessant use of the air and water for the
‘ production of their commodities ; but as the supply
‘ is boundless, they bear no price. If all land had
‘ the same properties, if it were unlimited in quan-
‘ tity, and uniform in quality, no charge could be

‘ made for its use, unless where it possessed peculiar
‘ advantages of situation. It is only, then, because
‘ land is not unlimited in quantity and uniform in
‘ quality, and because, in the progress of population,
‘ land of an inferior quality, or less advantageously
‘ situated, is called into cultivation, that rent is ever
‘ paid for the use of it. When, in the progress of
‘ society, land of the second degree of fertility is
‘ taken into cultivation, rent immediately commences
‘ on that of the first quality, and the amount of that
‘ rent will depend on the difference in the quality of
‘ these two portions of land.

‘ When land of the third quality is taken into cul-
‘ tivation, rent immediately commences on the second,
‘ and it is regulated, as before, by the difference in
‘ their productive powers. At the same time, the
‘ rent of the first quality will rise, for that must
‘ always be above the rent of the second, by the dif-
‘ ference between the produce which they yield with
‘ a given quantity of capital and labour. With every
‘ step in the progress of population, which shall
‘ oblige a country to have recourse to land of a worse
‘ quality, to enable it to raise its supply of food, rent,
‘ on all the more fertile land, will rise.

‘ Thus suppose land—No. 1, 2, 3,—to yield, with
‘ an equal employment of capital and labour, a net
‘ produce of 100, 90, and 80 quarters of corn. In a
‘ new country, where there is an abundance of fertile
‘ land compared with the population, and where
‘ therefore it is only necessary to cultivate No. 1, the
‘ whole net produce will belong to the cultivator, and

' will be the profits of the stock which he advances.
 ' As soon as population had so far increased as to
 ' make it necessary to cultivate No. 2, [from which
 ' ninety quarters only can be obtained after support-
 ' ing the labourers, rent would commence on No. 1 ;
 ' for either there must be two rates of profit on agri-
 ' cultural capital, or ten quarters, or the value of ten
 ' quarters must be withdrawn from the produce of
 ' No. 1, for some other purpose. Whether the pro-
 ' prietor of the land, or any other person, cultivated
 ' No. 1, these ten quarters would equally constitute
 ' rent; for the cultivator of No. 2 would get the
 ' same result with his capital, whether he cultivated
 ' No. 1, paying ten quarters for rent, or continued
 ' to cultivate No. 2, paying no rent. In the same
 ' manner it might be shown, that when No. 3 is
 ' brought into cultivation, the rent of No. 2 must be
 ' ten quarters, or the value of ten quarters, whilst
 ' the rent of No. 1 would rise to twenty quarters ;
 ' for the cultivator of No. 3 would have the same
 ' profits whether he paid twenty quarters for the
 ' rent of No. 1, ten quarters for the rent of No. 2,
 ' or cultivated No. 3 free of all rent.

' It often, and, indeed, commonly happens, that
 ' before No. 2, 3, 4, or 5, or the inferior lands are
 ' cultivated, capital can be employed more produc-
 ' tively on those lands which are already in cultiva-
 ' tion. It may perhaps be found, that by doubling
 ' the original capital employed on No. 1, though the
 ' produce will not be doubled, will not be increased
 ' by 100 quarters, it may be increased by 85 quarters,

‘ and that this quantity exceeds what could be
‘ obtained by employing the same capital on land
‘ No. 3.

‘ In such case, capital will be preferably employed
‘ on the old land, and will equally create a rent ;
‘ for rent is always the difference between the pro-
‘ duce obtained by the employment of two equal
‘ quantities of capital and labour. If, with a capital
‘ of 1000*l.*, a tenant obtain 100 quarters of wheat
‘ from his land, and by the employment of a second
‘ capital of 1000*l.*, he obtain a further return of
‘ eighty-five, his landlord would have the power at
‘ the expiration of his lease, of obliging him to pay
‘ fifteen quarters, or an equivalent value for addi-
‘ tional rent ; for there cannot be two rates of profit.
‘ If he is satisfied with a diminution of fifteen
‘ quarters in the return for his second 1000*l.*, it is
‘ because no employment more profitable can be
‘ found for it. The common rate of profit would be
‘ in that proportion, and if the original tenant re-
‘ fused, some other person would be found willing
‘ to give all which exceeded that rate of profit to
‘ the owner of the land from which he derived it.

‘ In this case, as well as in the other, the capital
‘ last employed pays no rent. For the greater pro-
‘ ductive powers of the first 1000*l.*, fifteen quarters
‘ is paid for rent ; for the employment of the second
‘ 1000*l.*, no rent whatever is paid. If a third 1000*l.*
‘ be employed on the same land, with a return of
‘ seventy-five quarters, rent will then be paid for
‘ the second 1000*l.*, and will be equal to the differ-

‘ence between the produce of these two, or ten
‘quarters; and at the same time the rent of the first
‘1000*l.* will rise from fifteen to twenty-five quarters;
‘while the last 1000*l.* will pay no rent whatever.

‘If, then, good land existed in a quantity much
‘more abundant than the production of food for an
‘increasing population required, or if capital could
‘be indefinitely employed without a diminished
‘return on the old land, there could be no rise of
‘rent; for rent invariably proceeds from the employ-
‘ment of an additional quantity of labour with a
‘proportionally less return.

‘The most fertile, and most favorably situated,
‘land will be first cultivated, and the exchangeable
‘value of its produce will be adjusted in the same
‘manner as the exchangeable value of all other
‘commodities, by the total quantity of labour neces-
‘sary in various forms, from first to last, to produce
‘it, and bring it to market. When land of an infe-
‘rior quality is taken into cultivation, the exchange-
‘able value of raw produce will rise, because more
‘labour is required to produce it.

‘The exchangeable value of all commodities,
‘whether they be manufactured, or the produce of
‘the mines, or the produce of land, is always regu-
‘lated, not by the less quantity of labour that will
‘suffice for their production under circumstances
‘highly favorable, and exclusively enjoyed by those
‘who have peculiar facilities of production, but by
‘the greater quantity of labour necessarily bestowed
‘on their production by those who have no such

‘ facilities ; by those who continue to produce them
‘ under the most unfavorable circumstances, mean-
‘ ing—by the most unfavorable circumstances, the
‘ most unfavorable under which the quantity of
‘ produce required, renders it necessary to carry on
‘ the production.

‘ Thus, in a charitable institution, where the poor
‘ are set to work with the funds of benefactors, the
‘ general prices of the commodities, which are the
‘ produce of such work, will not be governed by the
‘ peculiar facilities afforded to these workmen, but
‘ by the common, usual, and natural difficulties,
‘ which every other manufacturer will have to en-
‘ counter. The manufacturer enjoying none of these
‘ facilities might indeed be driven altogether from
‘ the market, if the supply afforded by these favored
‘ workmen were equal to all the wants of the com-
‘ munity ; but if he continued the trade, it would be
‘ only on condition that he should derive from it the
‘ usual and general rate of profits on stock ; and that
‘ could only happen when his commodity sold for a
‘ price proportioned to the quantity of labour be-
‘ stowed on its production.

‘ It is true, that on the best land, the same pro-
‘ duce would still be obtained with the same labour
‘ as before, but its value would be enhanced in con-
‘ sequence of the diminished returns obtained by
‘ those who employed fresh labour and stock on the
‘ less fertile land. Notwithstanding, then, that the
‘ advantages of fertile over inferior lands are in no
‘ case lost, but only transferred from the cultivator,

‘ or consumer, to the landlord, yet, since more labour
‘ is required on the inferior lands, and since it is
‘ from such land only that we are enabled to furnish
‘ ourselves with the additional supply of raw produce,
‘ the comparative value of that produce will continue
‘ permanently above its former level, and make it
‘ exchange for more hats, cloth, shoes, &c. &c. in
‘ the production of which no such additional quan-
‘ tity of labour is required.

‘ The reason, then, why raw produce rises in com-
‘ parative value, is because more labour is employed
‘ in the production of the last portion obtained, and
‘ not because a rent is paid to the landlord. The
‘ value of corn is regulated by the quantity of labour
‘ bestowed on its production on that quality of land,
‘ or with that portion of capital, which pays no rent.
‘ Corn is not high because a rent is paid, but a rent
‘ is paid because corn is high ; and it has been justly
‘ observed, that no reduction would take place in
‘ the price of corn, although landlords should forego
‘ the whole of their rent. Such a measure would
‘ only enable some farmers to live like gentlemen,
‘ but would not diminish the quantity of labour
‘ necessary to raise raw produce on the least produc-
‘ tive land in cultivation.

‘ Nothing is more common than to hear of the
‘ advantages which the land possesses over every
‘ other source of useful produce, on account of the
‘ surplus which it yields in the form of rent. Yet
‘ when land is most abundant, when most productive,
‘ and most fertile, it yields no rent ; and it is only

‘ when its powers decay, and less is yielded in
‘ return for labour, that a share of the original pro-
‘ duce of the more fertile portions is set apart for
‘ rent. It is singular that this quality in the land,
‘ which should have been noticed as an imperfection,
‘ compared with the natural agents by which manu-
‘ factures are assisted, should have been pointed out
‘ as constituting its peculiar pre-eminence. If air,
‘ water, the elasticity of steam, and the pressure of
‘ the atmosphere, were of various qualities; if they
‘ could be appropriated, and each quality existed
‘ only in moderate abundance, they, as well as the
‘ land, would afford a rent, as the successive quali-
‘ ties were brought into use. With every worse
‘ quality employed, the value of the commodities
‘ in the manufacture of which they were used, would
‘ rise, because equal quantities of labour would be
‘ less productive. Man would do more by the sweat
‘ of his brow, and nature perform less; and the land
‘ would be no longer pre-eminent for its limited
‘ powers.

‘ If the surplus produce which land affords in the
‘ form of rent be an advantage, it is desirable that,
‘ every year, the machinery newly constructed should
‘ be less efficient than the old, as that would un-
‘ doubtedly give a greater exchangeable value to the
‘ goods manufactured, not only by that machinery
‘ but by all the other machinery in the kingdom;
‘ and a rent would be paid to all those who possessed
‘ the most productive machinery.

‘ The rise of rent is always the effect of the in-

‘creasing wealth of the country, and of the difficulty of providing food for its augmented population. It is a symptom, but it is never a cause of wealth ; for wealth often increases most rapidly while rent is either stationary, or even falling. Rent increases most rapidly, as the disposable land decreases in its productive powers. Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where, through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where consequently the progress of rent is slow.

‘If the high price of corn were the effect, and not the cause of rent, price would be proportionally influenced as rents were high or low, and rent would be a component part of price. But that corn which is produced by the greatest quantity of labour is the regulator of the price of corn ; and rent does not and cannot enter in the least degree as a component part of its price. Adam Smith, therefore, cannot be correct in supposing that the original rule which regulated the exchangeable value of commodities, namely, the comparative quantity of labour by which they were produced, can be at all altered by the appropriation of land and the payment of rent. Raw material enters into the composition of most commodities, but the value of that raw material, as well as corn, is regulated by the productiveness of

‘ the portion of capital last employed on the land,
‘ and paying no rent ; and therefore rent is not a
‘ component part of the price of commodities.

‘ We have been hitherto considering the effects of
‘ the natural progress of wealth and population on
‘ rent, in a country in which the land is of variously
‘ productive powers ; and we have seen, that with
‘ every portion of additional capital which it be-
‘ comes necessary to employ on the land with a less
‘ productive return, rent would rise. It follows
‘ from the same principles, that any circumstances
‘ in the society which should make it unnecessary
‘ to employ the same amount of capital on the land,
‘ and which should therefore make the portion last
‘ employed more productive, would lower rent. Any
‘ great reduction in the capital of a country, which
‘ should materially diminish the funds destined for
‘ the maintenance of labour, would naturally have
‘ this effect. Population regulates itself by the
‘ funds which are to employ it, and therefore always
‘ increases or diminishes with the increase or dimi-
‘ nution of capital. Every reduction of capital is
‘ therefore necessarily followed by a less effective
‘ demand for corn, by a fall of price, and by dimi-
‘ nished cultivation. In the reverse order to that
‘ in which the accumulation of capital raises rent,
‘ will the diminution of it lower rent. Land of a
‘ less unproductive quality will be in succession re-
‘ linquished, the exchangeable value of produce will
‘ fall, and land of a superior quality will be the land
‘ last cultivated, and that which will then pay no rent.

‘ The same effects may however be produced, when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions.

‘ If a million of quarters of corn be necessary for the support of a given population, and it be raised on land of the qualities of No. 1, 2, 3; and if an improvement be afterwards discovered by which it can be raised on No. 1 and 2, without employing No. 3, it is evident that the immediate effect must be a fall of rent; for No. 2, instead of No. 3, will then be cultivated without paying any rent; and the rent of No. 1, instead of being the difference between the produce of No. 3 and No. 1, will be the difference only between No. 2 and 1. With the same population, and no more, there can be no demand for any additional quantity of corn; the capital and labour employed on No. 3 will be devoted to the production of other commodities desirable to the community, and can have no effect in raising rent, unless the raw material from which they are made cannot be obtained without employing capital less advantageously on the land, in which case No. 3 must again be cultivated.

‘ It is undoubtedly true, that the fall in the relative price of raw produce, in consequence of the improvement in agriculture, or rather in conse-

‘ quence of less labour being bestowed on its pro-
‘ duction, would naturally lead to increased accu-
‘ mulation ; for the profits of stock would be greatly
‘ augmented. This accumulation would lead to an
‘ increased demand for labour, to higher wages, to
‘ an increased population, to a further demand for
‘ raw produce, and to an increased cultivation. It
‘ is only, however, after the increase in the popula-
‘ tion, that rent would be as high as before ; that is
‘ to say, after No. 3 was taken into cultivation. A
‘ considerable period would have elapsed, attended
‘ with a positive diminution of rent.

‘ But improvements in agriculture are of two
‘ kinds : those which increase the productive powers
‘ of the land, and those which enable us, by improv-
‘ ing our machinery, to obtain its produce with less
‘ labour. They both lead to a fall in the price of
‘ raw produce ; they both affect rent, but they do
‘ not affect it equally. If they did not occasion a
‘ fall in the price of raw produce, they would not
‘ be improvements ; for it is the essential quality of
‘ an improvement to diminish the quantity of labour
‘ before required to produce a commodity ; and this
‘ diminution cannot take place without a fall of its
‘ price or relative value.

‘ The improvements which increased the produc-
‘ tive powers of the land, are such as the more
‘ skilful rotation of crops, or the better choice of
‘ manure. These improvements absolutely enable us
‘ to obtain the same produce from a smaller quan-
‘ tity of land. If, by the introduction of a course

' of turnips, I can feed my sheep besides raising my
 ' corn, the land on which the sheep were before fed
 ' becomes unnecessary, and the same quantity of
 ' raw produce is raised by the employment of a less
 ' quantity of land. If I discover a manure which
 ' will enable me to make a piece of land produce
 ' 20 per cent. more corn, I may withdraw at least a
 ' portion of my capital from the most unproductive
 ' part of my farm. But, as I before observed, it is
 ' not necessary that land should be thrown out of
 ' cultivation, in order to reduce rent: to produce
 ' this effect, it is sufficient that successive portions
 ' of capital are employed on the same land with
 ' different results, and that the portion which gives
 ' the least result should be withdrawn. If, by the
 ' introduction of the turnip husbandry, or by the
 ' use of a more invigorating manure, I can obtain
 ' the same produce with less capital, and without
 ' disturbing the difference between the productive
 ' powers of the successive portions of capital, I shall
 ' lower rent: for a different and more productive
 ' portion will be that which will form the standard
 ' from which every other will be reckoned. If,
 ' for example, the successive portions of capital
 ' yielded 100, 90, 80, 70; whilst I employed these
 ' four portions, my rent would be 60, or the differ-
 ' ence between

$$\begin{array}{rcl}
 \begin{array}{l}
 \text{' 70 and 100} = 30 \\
 \text{' 70 and 90} = 20 \\
 \text{' 70 and 80} = 10 \\
 \hline
 60
 \end{array}
 & \left. \begin{array}{l} \\ \\ \\ \end{array} \right\} \text{whilst the produce} & \left\{ \begin{array}{l} 100 \\ 90 \\ 80 \\ 70 \\ \hline 340
 \end{array} \right. \\
 & & \text{would be 340.}
 \end{array}$$

‘ and while I employed these portions, the rent
 ‘ would remain the same, although the produce of
 ‘ each should have an equal augmentation. If, in-
 ‘ stead of 100, 90, 80, 70, the produce should be in-
 ‘ creased to 125, 115, 105, 95, the rent would still
 ‘ be 60, or the difference between

$$\begin{array}{lcl}
 \text{' 95 and 125} = 30 & \left. \begin{array}{l} \\ \\ \end{array} \right\} \text{whilst the produce would} & \left\{ \begin{array}{l} 125 \\ 115 \\ 105 \\ 95 \\ \hline 440 \end{array} \right. \\
 \text{' 95 and 115} = 20 & & \\
 \text{' 95 and 105} = 10 & & \\
 \hline & 60 &
 \end{array}$$

be increased to 440.

‘ But with such an increase of produce, without an
 ‘ increase of demand, there could be no motive for
 ‘ employing so much capital on the land; one por-
 ‘ tion would be withdrawn, and consequently the
 ‘ last portion of capital would yield 105 instead of
 ‘ 95, and rent would fall to 30, or the difference
 ‘ between

$$\begin{array}{lcl}
 \text{' 105 and 125} = 20 & \left. \begin{array}{l} \\ \end{array} \right\} \text{whilst the produce will be} & \left\{ \begin{array}{l} 125 \\ 115 \\ 105 \\ \hline 345 \end{array} \right. \\
 \text{' 105 and 115} = 10 & \left. \begin{array}{l} \text{still adequate to the wants} \\ \text{of the population, for it} \end{array} \right\} & \\
 \hline & 30 & \text{would be 345 quarters, or}
 \end{array}$$

‘ the demand being only for 340 quarters.—But
 ‘ there are improvements which may lower the re-
 ‘ lative value of produce without lowering the corn
 ‘ rent, though they will lower the money rent of
 ‘ land. Such improvements do not increase the
 ‘ productive powers of the land; but they enable
 ‘ us to obtain its produce with less labour. They
 ‘ are rather directed to the formation of the capital

' applied to the land, than to the cultivation of the
' land itself. Improvements in agricultural imple-
' ments, such as the plough and the thrashing-ma-
' chine, economy in the use of horses employed in
' husbandry, and a better knowledge of the vete-
' rinary art, are of this nature. Less capital, which
' is the same thing as less labour, will be employed
' on the land; but to obtain the same produce, less
' land cannot be cultivated. Whether improvements
' of this kind, however, affect corn rent, must depend
' on the question, whether the difference between
' the produce obtained by the employment of diffe-
' rent portions of capital be increased, stationary, or
' diminished. If four portions of capital, 50, 60, 70,
' 80, be employed on the land, giving each the same
' results, and any improvement in the formation of such
' capital should enable me to withdraw 5 from each,
' so that they should be 45, 55, 65, and 75, no alter-
' ation would take place in the corn rent; but if the
' improvements were such as to enable me to make
' the whole saving on that portion of capital, which
' is least productively employed, corn rent would
' immediately fall, because the difference between
' the capital most productive, and the capital least
' productive, would be diminished; and it is this
' difference which constitutes rent.

' Without multiplying instances, I hope enough
' has been said to show, that whatever diminishes
' the inequality in the produce obtained from suc-
' cessive portions of capital employed on the same
' or on new land, tends to lower rent; and that

‘ whatever increases that inequality, necessarily produces an opposite effect, and tends to raise it.

‘ In speaking of the rent of the landlord, we have rather considered it as the proportion of the produce, obtained with a given capital on any given farm, without any reference to its exchangeable value; but since the same cause, the difficulty of production, raises the exchangeable value of raw produce, and raises also the proportion of raw produce paid to the landlord for rent, it is obvious that the landlord is doubly benefited by difficulty of production. First he obtains a greater share, and secondly the commodity in which he is paid is of greater value.’

‘ RENT.*

‘ LAND is of different degrees of fertility. There is a species of land, the elevated or stony parts, for example, of high mountains, loose sand, and certain marshes, which may be said to produce nothing. Between this and the most productive sort, there are lands of all the intermediate degrees of fertility.

‘ Again; lands, of the highest fertility, do not yield the whole of what they are capable of yielding, with the same facility. A piece of land, for example, may be capable of yielding annually ten quarters of corn, or twice ten, or three times ten. It yields,

* From *Elements of Political Economy*. By James Mill, Esq. 3rd edition.

‘ however, the first ten, with a certain quantity of
‘ labour, the second ten, not without a greater, the
‘ third ten, not without a greater still, and so on ;
‘ every additional ten requiring to its production a
‘ greater cost than the ten which preceded it. This
‘ is well known to be the law, according to which,
‘ by a greater expenditure of capital, a greater pro-
‘ duce is obtained, from the same portion of land.

‘ Till the whole of the best land is brought under
‘ cultivation, and till it has received the application
‘ of a certain quantity of capital, all the capital em-
‘ ployed on the land is employed with an equal return.
‘ In any country, therefore, after a certain quantity
‘ of corn has been raised, no greater quantity can
‘ be raised, but at a greater cost. If such additional
‘ quantity is raised, the capital, employed upon the
‘ land, may be distinguished into two portions; one,
‘ producing a higher; another, a lower return.

‘ When capital producing a lower return is ap-
‘ plied to the land, it is applied in one of two ways.
‘ It is either applied to new land of the second de-
‘ gree of fertility, then for the first time brought
‘ under cultivation; or it is applied to land of the
‘ first degree of fertility, which has already received
‘ all the capital which can be applied without a
‘ diminution of return.

‘ Whether capital shall be applied to land of the
‘ second degree of fertility, or in a second dose to
‘ land of the first degree of fertility, will depend, in
‘ each instance, upon the nature and qualities of the
‘ two soils. If the same capital which will produce

‘ only eight quarters, when applied in a second dose
‘ to the best land, will produce nine quarters, when
‘ applied to land of the second degree of fertility,
‘ it will be applied to that land, and *vice versâ*.

‘ The land of the different degrees of fertility—
‘ first, or highest sort ; second, or next highest, and
‘ so on, may, for facility of reference, be denominated
‘ No. 1, No. 2, No. 3, &c. In like manner, the dif-
‘ ferent doses of capital, which may be applied to the
‘ same land, one after another, with less and less
‘ effect, may be denominated 1st dose, 2nd dose, 3rd
‘ dose, and so on.

‘ So long as land produces nothing, it is not worth
‘ appropriating. So long as a part only of the best
‘ land is required for cultivation, all that is unculti-
‘ vated yields nothing ; that is, nothing which has
‘ any value. It naturally, therefore, remains unap-
‘ propriated ; and any man may have it, who under-
‘ takes to render it productive.

‘ During this time, land, speaking correctly, yields
‘ no rent. There is a difference, no doubt, between
‘ the land which has been cultivated, and the land
‘ which is yet uncleared for cultivation. Rather
‘ than clear the fresh land, a man will pay an equi-
‘ valent, annual or otherwise, for the cost of clearing ;
‘ and it is evident that he will pay no more. This,
‘ therefore, is not a payment for the power of the
‘ soil, but simply for the capital bestowed upon the
‘ soil. It is not rent ; it is interest.

‘ The time, however, arrives, as population and
‘ the demand for food increase, when it is necessary

‘ either to have recourse to land of the second quality,
‘ or to apply a second dose of capital, less productively,
‘ upon land of the first quality.

‘ If a man cultivates land of the second quality, upon
‘ which a certain quantity of capital will produce only
‘ eight quarters of corn, while the same quantity of
‘ capital upon land of the first quality will produce
‘ ten quarters; it will make no difference to him,
‘ whether he pay two quarters for leave to cultivate
‘ the first sort, or cultivate the second without any
‘ payment. He will therefore be content to pay two
‘ quarters for leave to cultivate the first sort; and
‘ that payment constitutes rent.

‘ Let us suppose, again, that instead of cultivating
‘ land of the second quality, it is more advisable to
‘ apply a second dose of capital to land of the first
‘ quality; and that, while the first dose produces ten
‘ quarters, the second, of equal amount, will produce
‘ only eight quarters; it is equally implied in this,
‘ as in the former case, that it is impossible to
‘ employ any more capital with so great an effect as
‘ the ten supposed quarters, and that there are per-
‘ sons who are willing to apply it with so little a re-
‘ turn as eight. But if there are persons who are
‘ willing to apply their capital on the land with so
‘ little a return as eight quarters, the owners of the
‘ land may make a bargain, by which they will
‘ obtain all that is produced above eight. The
‘ effect upon rent is thus the same in both cases.

‘ It follows that rent increases in proportion as the
‘ productive power of the capital, successively be-

‘ stowed upon the land, decreases. If population
‘ has arrived at another stage, when, all the land of
‘ second quality being cultivated, it is necessary to
‘ have recourse to land of third quality, yielding, in-
‘ stead of eight quarters, only six, it is evident, from
‘ the same process of reasoning, that the land of
‘ second quality will now yield rent, namely, two
‘ quarters; and that land of the first quality will
‘ yield an augmented rent, namely, two quarters
‘ more. The case will be exactly the same, if,
‘ instead of having recourse to land of less fertility,
‘ a second and a third dose of capital, with the same
‘ diminution of produce, are bestowed upon land of
‘ the first quality.

‘ We may thus obtain a general expression for
‘ rent. In applying capital, either to lands of various
‘ degrees of fertility, or, in successive doses, to the
‘ same land, some portions of the capital so employed
‘ are attended with a greater produce, some with a
‘ less. That which yields the least, yields all that is
‘ necessary for re-imbursing and rewarding the capi-
‘ talist. The capitalist will receive no more than
‘ this remuneration for any portion of the capital
‘ which he employs, because the competition of
‘ others will prevent him. All that is yielded above
‘ this remuneration, the landlord will be able to
‘ appropriate. Rent, therefore, is the difference
‘ between the return made to the more productive
‘ portions, and that which is made to the least
‘ productive portion, of capital, employed upon the
‘ land.

‘ Taking, for illustration, the three cases, of ten
‘ quarters, eight quarters, and six quarters, we per-
‘ ceive, that rent is the difference between six quar-
‘ ters and eight quarters for the portion of capital
‘ which yields only eight quarters; the difference
‘ between six quarters and ten quarters for the por-
‘ tion of capital which yields ten quarters; and
‘ if three doses of capital, one yielding ten, another
‘ eight, and another six quarters, are applied to the
‘ same portion of land, its rent will be four quarters
‘ for dose No. 1, and two quarters for dose No. 2,
‘ making together six quarters for the whole.

‘ If these conclusions are well supported, the doc-
‘ trine of rent is simple, and the consequences, as
‘ we shall see hereafter, are exceedingly important.
‘ There is but one objection, which it seems possible
‘ to make to them. It may be said that, after land
‘ is appropriated, there is no portion of it which does
‘ not pay rent, no owner being disposed to give the
‘ use of it for nothing. This objection has, indeed,
‘ been raised; and it has been urged, that some
‘ rent is paid even for the most barren of the Scottish
‘ mountains.

‘ If an objection is taken, it affects the conclusion
‘ either to a material, or to an immaterial extent.
‘ Where the matter alleged in objection, even if
‘ admitted, would still leave the conclusion sub-
‘ stantially, and to all practical purposes, true, the
‘ objection must be owing to one of two defects in the
‘ mind of the objector; either a confusion of ideas,
‘ which prevents him from seeing to how small

‘ a degree the matter which he alleges affects
‘ the doctrine which he denies ; or a disposition to
‘ evade the admission of the doctrine, even though
‘ nothing solid can be found with which to oppose
‘ it.

‘ That the matter alleged in this objection, even
‘ if allowed, would leave the conclusion, to all practical purposes, just where it was, can hardly fail to
‘ be acknowledged as soon as the circumstances are
‘ disclosed. It cannot be so much as pretended that
‘ the rent paid for the barren mountains of Scotland
‘ is anything but a trifle ; an evanescent quantity,
‘ when we speak of any moderate extent. If it
‘ were 5*l.* for a thousand acres, that is, about one
‘ penny per acre, it would bear so small a proportion
‘ to the cost of cultivation, which could not be less
‘ than several pounds per acre, that it would little
‘ affect the truth of the conclusion we have endeavoured to establish.

‘ Let us suppose, for the sake of the argument, that
‘ the worst species of land under cultivation pays
‘ one penny per acre : rent, in that case, would be
‘ the difference between the produce resulting from
‘ different portions of capital, as explained above,
‘ with the correction required on account of the
‘ penny per acre paid as rent for the worst species of
‘ land under cultivation. Assuredly, if right in every
‘ other respect, we shall not be far wrong in our conclusions, by leaving this penny out of the question.
‘ A very slight advantage, in simplifying our language on the subject, would justify this omission.

‘ But it is not true, that our conclusions stand in
‘ need of any such correction, even for metaphysical
‘ exactness. There is land, such as the sands of
‘ Arabia, which yields nothing. Land is found at
‘ all the intermediate stages from this to the highest
‘ fertility. Some land, though not absolutely inca-
‘ pable of yielding anything for the accommodation
‘ of man, could not be made to yield what would
‘ maintain the labourers required for its cultivation.
‘ This land can never be cultivated. There is land,
‘ the annual produce of which would first maintain
‘ the labour necessary for its cultivation, and no
‘ more. This land is just capable of being culti-
‘ vated, but obviously incapable of paying rent.
‘ The objection, therefore, is not only practically
‘ immaterial; it is metaphysically unsound.

‘ It may be safely affirmed, that there is no
‘ country, of any considerable extent, in which there
‘ is not land incapable of yielding rent: that is,
‘ incapable of yielding to human labour more than
‘ would be necessary for the maintenance of that
‘ labour. That such, at least, is the case in this
‘ country, seems very unlikely to be disputed.
‘ There are parts of its mountains where nothing
‘ less hardy than heath, others where nothing but
‘ moss, can vegetate. When it is asserted that
‘ every part of the mountains of Scotland pays rent,
‘ the state of the facts is misunderstood. It is only
‘ true that there is no tenant of any portion of any
‘ man’s estate in the highlands of Scotland, who
‘ does not pay rent. The reason is, because even in

‘ the mountains of Scotland there are spots in the
‘ valleys, the produce of which is considerable. It
‘ does not follow, though hundreds of acres of
‘ mountain are added to these valleys, that therefore
‘ every part of the mountain yields rent ; it is certain
‘ that many parts neither do nor can.

‘ Even where the land is not absolutely barren,
‘ and where there is still something for the more
‘ hardy of the useful animals to pick up, it is not to
‘ be allowed that rent is the necessary consequence.
‘ It ought to be remembered, that these cattle are
‘ capital, and that the land must afford enough not
‘ only to make a return for that capital, but to pay
‘ for the tendance of the cattle, of which, in such
‘ situations, especially in winter, not a little is re-
‘ quired. Unless the land yields all this, and some-
‘ thing more, it cannot yield any rent.

‘ In the greater part of this island, there is hardly
‘ a farm, of any considerable extent, which does
‘ not contain land, some of more, some of less fer-
‘ tility, varying from a high or moderate degree of
‘ fertility, down to land which yields not enough to
‘ afford any rent. Of course I do not request ad-
‘ mission to this affirmation upon my authority ; I
‘ rest it upon an appeal to the experience of those
‘ men who are best acquainted with the circum-
‘ stances. If the state of the facts corresponds with
‘ the affirmation, it follows demonstratively, that the
‘ last portion of the land which is placed under
‘ cultivation yields no rent. In such farms as
‘ those we have now described, the tenant has bar-

‘ gained for a certain sum to the landlord. That,
‘ of course, was calculated, upon the produce of the
‘ land which yielded not only the proper return for
‘ the capital with which it was cultivated, but some-
‘ thing more. As the motive of the tenant to cul-
‘ tivate is wholly constituted by the proper return to
‘ his capital, if there is any portion of the barren
‘ land, included in his farm, which will just yield
‘ the profit of stock, and no more ; though it will
‘ not afford any thing for rent, it affords to him
‘ the adequate motive for cultivation. It can hardly
‘ be denied that, in the insensible degrees by which
‘ land declines from greater to less fertility, there
‘ will, in all considerable farms, be generally found
‘ a portion with this particular degree and no more.

‘ The conclusion, however, may be established
‘ by the clearest evidence, without regard to the
‘ question, whether all land pays or does not pay
‘ rent. On land which pays the highest rent, we
‘ have seen that capital, applied in successive doses,
‘ is not attended with equal results. The first dose
‘ yields more, possibly much more, than the return
‘ for the capital. The second also may yield more,
‘ and so on. The rent, if accurately calculated, will
‘ be equal to all that is rendered by those several
‘ doses, over and above the profits of stock. The
‘ cultivator, of course, applies all those several doses
‘ of capital on which he has agreed to pay rent.
‘ But immediately after them comes another dose,
‘ which though it yields nothing for rent, may fully
‘ yield the ordinary profits of stock. It is for the

‘ profits of stock, and them alone, that the farmer
‘ cultivates. As long, therefore, as capital applied
‘ to his farm will yield the ordinary profits of stock,
‘ he will apply capital, if he has it ; I therefore
‘ conclude, with assurance, that in the natural state
‘ of things, in every agricultural country, one portion
‘ of the capital employed upon the land pays no rent ;
‘ that rent, therefore, consists wholly of that produce
‘ which is yielded by the more productive portions
‘ of capital, over and above a quantity equal to that
‘ which constitutes the return to the least productive
‘ portion, and which must be received, to afford his
‘ requisite profits, by the farmer.’

The essence of the Ricardo theory is comprised in these two affirmative positions :—

- 1st. That rent consists of the surplus produce of cultivation ; surplus, that is, over and above that portion of the produce which replaces capital with ordinary profits.
- 2nd. That this surplus produce, or rent, arises from, and is in proportion to, the necessity (caused by the increase of population and capital on a limited field) for resorting to inferior soils, or employing capital on the same soils with inferior returns.

These affirmative positions are accompanied by others of a negative kind :—

- 1st. That nothing is rent but what consists of the surplus produce of cultivation.

2nd. That this surplus produce never arises, except by means of the necessity for employing more capital with smaller returns.

The affirmative positions may be true, though the others should be false. Surplus produce, let us assume, always constitutes rent: still rent may be paid, which does not consist of surplus produce. A necessity for employing more capital with smaller returns creates a surplus produce: nevertheless, a surplus produce may be created by other means than that necessity. These distinctions are of the highest importance; for by keeping them in mind, we shall perceive, that while the affirmative positions of the Ricardo theory are unquestionably true, the others are as certainly false.

The obvious effect of the negative positions is to extend the affirmative ones to every sort of payment for the use of land. By observing that the negations are erroneous, we shall confine the affirmations to that limit within which they are manifestly true.

Rent does not always consist of surplus produce. Land is very often required for other purposes than the raising of any commodity for sale. Land, for example, is often wanted for the purpose of enjoyment without the least view to profit; and in every country a good deal of that surplus produce which the owners of land receive as rent, they either pay themselves,—or transfer to some who pay it,—to other owners of land; paying at a rate, by the acre or yard, ten, or even a thousand times greater than that at which they received. A large portion of

the aggregate rental of this country is paid by some people for permission to live near each other on spots that are preferred for residence. One land-owner is said to receive about 100,000*l.* a-year as the ground rent of about 600 acres in a favourite part of London. Rent of this kind,—rent of which surplus produce forms no part,—and a far higher rent than was ever paid out of surplus produce derived from the cultivation of land,—is paid in and near those towns which are called watering-places. Such examples might be multiplied without end. These, however, are sufficient to show, that the first negative position of the Ricardo theory is decidedly erroneous. To what extent, then, is the first affirmative position true? Its very words would seem to show:—Surplus produce of cultivation over and above what replaces capital with ordinary profits. The doctrine then applies to that land only which is used for cultivation with a view to profit. Mr. Ricardo himself has said so, when limiting his inquiry to “payment for the natural and indestructible powers of the soil.” But he has not observed his own limitation. He, and still more his followers Mr. Mill and Professor McCulloch, have drawn all kinds of rent within that narrow boundary.

That the second negative position is as untrue as the other, will appear from the cases which follow. Every occasion on which surplus produce, and therefore rent, increases without the employment of more capital for a less return, goes to disprove that position.

1. Land is of four natural qualities; No. 4, No. 3, No. 2, and No. 1. In the actual state of agricultural skill, No. 4 will not yield a produce equal to the cost of production, and therefore remains uncultivated. No. 3 produces ten quarters, which only just replace capital with ordinary profits, and therefore yields no rent. No. 2 produces fifteen quarters, and therefore yields five quarters for rent. No. 1 produces twenty quarters, yielding ten quarters for rent. Agricultural improvements now take place, by means of which the produce of each piece of land is increased to the amount of five quarters, though the capital employed in each case remain the same. Profits remaining the same, the surplus produce of No. 1 will now be fifteen quarters; that of No. 2, ten quarters; and that of No. 3, which before yielded no surplus produce, five quarters. These improvements may permit the cultivation of No. 4, so as to obtain from it a remunerating return at the ordinary rate of profit; and so far the increase of rent for Nos. 1 and 2, and the creation of rent for No. 3, will be *attended by* a resort to land of inferior natural fertility. But in this case, *the cause* of a higher rent for Nos. 1 and 2, and of some rent for No. 3, would not be a necessity for resorting to inferior land; it would be improvements in agriculture, by means of which the gross produce of capital had been augmented, and inferior land had become fit for cultivation.

Great improvements of agricultural skill, like

those which occurred in this country about forty years ago, cause a great increase of the gross produce of agriculture. At first, perhaps, the whole of the increase is shared between capitalists and labourers, in the shape of higher profits and higher wages. Before long, however, the increase of labourers, arising from higher wages, brings wages down to the old level; and the increase of capital, arising from higher profits, brings profits down to the old level. As soon as this happens, the whole of the increase of produce, arising from improved skill, falls to the owners of land in the shape of higher rent. In this way, the rental of a country may be doubled or trebled (if the productiveness of agricultural capital be doubled or trebled by improved skill) without the least necessity for employing capital with a less return than was obtained by the least productive portion of capital before the improvement of agricultural skill. During the process, indeed, inferior land may be brought into cultivation; not, however, because of any necessity for resorting to inferior land, but because land, which formerly would not, now will yield a remunerating return. In England, since the time of Alfred, the surplus produce of agriculture, and the rent of land used for cultivation, have increased enormously. If the whole increase had been owing to a progressive necessity for resorting to inferior soils, the smallest returns to capital in the time of Alfred, would have vastly

exceeded the smallest present returns ; whereas the fact is, perhaps, that the smallest returns now exceed the greatest returns in the time of Alfred, or even of Henry VIII. A chief cause, therefore, of the progress of rent in advancing countries, seems to be the progressive improvement of agricultural skill. This cause of rent is absolutely rejected by the second negative position of the Ricardo theory.

2. States of society may be conceived in which an increase of surplus produce, or rent, should take place without either a decrease or an increase of the returns to capital. This appears to have happened lately in a great part of Ireland. If the bulk of a people be brought to live upon potatoes, and in hovels and rags, and to pay, for permission so to live, all that they can produce beyond hovels, rags, and potatoes, then, in proportion as they put up with less, the owner of the land on which they live, obtains more, even though the return to capital or labour should remain unaltered. What the miserable tenants give up, the landlord gathers. This consideration seems to account for the very high rents which the landlords of Ireland obtain from their wretched tenantry. If the standard of living were raised in Ireland, without any improvement of agricultural skill, there would be less surplus produce for the landlord, and rents must inevitably sink. A fall in the standard of living amongst the cultivators of the earth is another

cause of surplus produce, and rent, absolutely rejected by the second negative position of the Ricardo theory.

In a more civilized country, like England, surplus produce may be increased by a fall of wages; that is, a decrease in the cost of production. This may happen without either the cultivation of any inferior land, or the employment of more capital with less returns, or any increase of the gross produce through improved skill. The rent of English farms, when measured in agricultural produce, has lately been rising, while wages were falling. In the southern counties of England too, the cost of production has been artificially diminished by means of paying the wages of farm-labourers out of a general rate. This notable scheme must for a time have had the effect of augmenting the surplus portion of produce, and therefore the value of land; though it has ended in imposing a tax on the land, which at present more than outweighs any advantage ever derived by the landlord from the payment, in part, by classes who did not employ them, of the wages of farm labourers. When wages fall, the effect upon surplus produce is the same as a fall in the standard of living: the whole produce remaining the same, the surplus part is greater; the producers have less, and the landlord more. Rent, says the Ricardo theory, consists of surplus. There are more ways than one, however, by which surplus may be increased.

3. In England, during the last twenty years, agricultural rents have fallen, when estimated in money; and, as most estates were charged before that period with fixed money payments, the owners of land have, speaking generally, suffered a heavy loss. But during the last twenty years, agricultural rents, measured, as alone they can be fairly measured, in farm-produce, instead of falling, have actually risen. Suppose that money rents have fallen forty per cent. (which seems a large allowance) since the time when the price of wheat was 100s. per quarter; still, the price of wheat having been reduced to 40s. per quarter; rent having fallen forty per cent., and the price of wheat sixty per cent., rent is higher than before by fifty per cent.: a farm which used to let for 100l. in money, or 20 quarters of wheat, now lets for 60l. in money, or 30 quarters of wheat. This may be an extreme supposition; but that agricultural rents, measured in farm-produce, are higher than they were twenty years ago, will not be denied by any one at all acquainted with the facts. By what means has this increase of rent taken place? Have we resorted to the cultivation of inferior soils? On the contrary, during the last twenty years, a good deal of inferior land has been thrown out of cultivation. Has the gross produce of agriculture been much increased by means of improvements in skill, so as to increase the surplus part which falls to the landlord? Probably not; since it is a common complaint that land has been cultivated with less care

since the time of a brisk war-demand, and high money prices. To what then are we to attribute this increase of real rent? In part, perhaps, referring to the last case, to a fall, through a fall in wages, in the cost of production (though this cause seems to have been fully counteracted by an enormous increase in the real amount of poor's-rate), but chiefly to a cause which is pointed out by the following facts. During the last twenty years, the condition of English farmers has been grievously altered for the worse. Half as many farmers, perhaps, as the whole present number amounts to, have been entirely ruined; have lost the whole of their capital; and have been succeeded by others, most of whom are constantly on the verge of insolvency. During the period in question, very many farms have ruined two or three tenants; and no one farmer has made such profits as enabled him to live like the great mass of farmers five-and-twenty years ago. The farmers, like the small shopkeepers of the present day, are a race of beggars when compared with their fathers. They complain that they pay rent out of their capital; and, seeing how many of them are ruined every year, the assertion seems to be true. But is there any lack of competition for farms which become vacant through the ruin of the tenants? None: on the contrary, the competition for such farms, and often at an increased rent (increased when measured in produce), is as keen as during the period when every farmer either made a fortune, or lived as if he had been the

owner of his farm. Referring to the Note on the subject of Profits, this competition for ruin may be attributed to superabundance of capital. But what is the effect of this competition upon rent? All that portion of the produce, by keeping which for themselves, farmers used to make fortunes or live like landlords, is transferred to the owners of land. It is transferred by means of what Mr. Samuel Gurney calls "the severe competition of the present time." What the tenant gives up, the landlord gathers. Such a result is perfectly agreeable to that part of the Ricardo theory which describes rent as the surplus produce of agriculture. As the Irish cottier, who lives upon potatoes, has all the more to spare, wherewith to buy permission to grow potatoes, so the English farmer, compelled by excessive competition to put up with very low profit, and even with loss, has all the more to spare wherewith to purchase from his landlord permission to suffer so harassing a state of existence. A fall of profits, like a fall of wages, and of the standard of living, increases that part of the produce which is surplus, and therefore raises rent. This cause of rent, like the other two, is wholly rejected by the second negative position of the Ricardo theory.*

* English farmers and landlords are equally blind to the primary cause of that competition which is so hurtful to one class and beneficial to the other, viz. superabundance of capital.

The means by which agricultural capital may go on increasing, though employed with a very low profit, or even with loss, will be noticed under the head of Capital.

4. There appears to be one other way yet, in which the surplus produce of agriculture, and therefore the rent of land used for agricultural purposes, may be increased, without any necessity for resorting to inferior land. Nay, the case has actually happened over and over again, in which agricultural rents were raised by resorting for a supply of one kind of food to land of a superior natural quality. "The moors of Lancashire," says Colonel Torrens, * "could not originally have been made to grow corn, because the quantity of corn consumed by the labourers reclaiming and cultivating them, would have exceeded the quantity which they were capable of producing. But cheap corn was brought from Ireland and other places; increasing wealth and population created an intense and extensive demand for those agricultural luxuries, which, not entering into the subsistence of farm-labourers, are not expended in reproducing themselves; and the consequence has been, that what was the barren moor, now bears crops of great value, and pays higher rents than the most fertile corn lands of England." Adam Smith touches upon this principle when he says: "In the neighbourhood of a great town, the demand for milk and for forage to horses frequently contribute, together with the high price of butcher's meat, to raise the value of grass above what may be called its natural proportion to that of corn. * * * Particular circumstances have sometimes rendered

* Colonization of South Australia, p. 280.

some countries so populous, that the whole territory, like the lands in the neighbourhood of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants. Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot so easily be brought from a great distance ; and corn, the food of the great body of the people, has been chiefly imported from foreign countries. Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans. To feed well, old Cato said, as we are told by Cicero, was the first and most profitable thing in the management of a private estate ; to feed tolerably well, the second ; and to feed ill, the third. To plough, he ranked only in the fourth place of profit and advantage." The territory of Genoa has always been in this situation. Of a most sterile quality by nature, and indeed wholly unfit for the production of corn, the land of that country nevertheless yields upon the average a much higher rent than the most fertile corn lands in the not far distant plain of the Po. But by what means? By means of the importation of cheap corn raised on those more fertile lands. This cheapness of corn, by promoting wealth and population, has led to a demand within the territory of Genoa for agricultural objects, such as vegetables, fruit, olive-oil, wine, and silk, which that land is capable of producing ; and thus land, which if it had been employed in growing

corn, would never have yielded a produce beyond the cost of production, or any rent, now yields—the cost of production being low by means of the low price of imported food—a large surplus produce, and a high rent. With respect to rent, what would happen in Holland, if the people of that country were debarred from obtaining cheap corn elsewhere; were thus compelled to raise at home, with a vast increase of the cost of production, all the food which they consume? In that case, if surplus produce be the measure of rent, rents would fall in exact proportion to the decrease of surplus produce. The produce of land would be raised with a greater outlay; less of it, therefore, in the shape of surplus, would remain for the landlords. As rents would thus be lowered in Holland by compelling the people of that country to raise the whole of their food at home, so our Corn Laws seem to prevent agricultural rents from being raised here by means of the importation of cheap corn. What has actually happened in Holland, might take place here. By importing cheap corn, we should create a new demand for all sorts of agricultural produce exclusive of corn: corn, the chief article of the labourer's food, being cheap, all those other sorts of produce would be raised at less cost, so as to leave a larger surplus for the landlord. This, perhaps, in a country which possessed an unlimited manufacturing power of buying cheap corn from other countries, and where no limit could be assigned to the demand for

many sorts of agricultural produce exclusive of corn, would become the most powerful cause of rent. The highest rent occasioned by the importation of corn from countries where corn is produced at the least cost ; by resorting to lands, not of inferior, but of superior quality, for the purpose of raising common food ! It is not in general, but in particular and express terms, that this cause of rent is rejected by the second negative position of the Ricardo theory. Nay, if that position were true, the process here described would cause a fall of rents.

From the foregoing examples it appears, that there are various ways in which the surplus produce of cultivation—the excess of produce over what replaces capital with ordinary profits—may be increased, otherwise than by the occurrence of a necessity for employing capital with smaller returns. It follows that the second negative position of the Ricardo theory is most untrue. What then becomes of the second affirmative position ? The limit within which it is true, may now be perceived. The necessity for employing capital with smaller returns is not an universal cause of rent : it is only one cause of rent ; and the only sort of rent of which it ever is the cause, is payment for the use of that land only, which is used in growing the common food of the people.

This limitation of the doctrine indicates its vast importance. The one cause of one sort of rent,

pointed out by the Ricardo theory, seldom operates in any country of which the inhabitants are allowed to import their common food from soils more fertile than their own ; and in proportion as it does operate in such cases, it checks or prevents the operation of another cause of rent, which seems to be the more powerful of the two. The high rent paid in Holland is not what may be termed a necessity rent : it is a surplus-produce rent, depending upon the absence of any necessity for obtaining the common food of the people by successive applications of capital with less and less return. While, moreover, the progress of a necessity rent is surely accompanied by a deterioration in the state of the bulk of the people, in consequence of the greater exchangeable value of common food in relation to labour ; while this is the inevitable result of a necessity for employing capital with less returns in the production of common food, the other increase of rent,—that which arises from an increase of surplus produce, by means of obtaining common food from superior, though foreign soils,—may take place, not only without any deterioration, but with an improvement in the state of the bulk of the people. Adam Smith, with his distinctions between common food and other sorts of produce, had some notion of this difference. Mr. Ricardo did not perceive it ; but then he has clearly shown, what Adam Smith can hardly be said to have perceived—that there is a cause of rent, which, for the sake of a more powerful cause of rent, and above

all for the good of the people, ought to be carefully avoided. Such is the inestimable value of the Ricardo theory, when all the different causes of surplus produce are considered.

The Ricardo theory acknowledges, though no statement of it duly appreciates the influence of position upon the surplus produce of land. Of two pieces of land, one near to a town and the other far from it, the surplus produce will be very different. Between the cost of conveying produce to market and manure from the town, in the two cases, there will be a wide difference; and the whole difference in favour of the land which is near to a town, is surplus which falls to the landlord as rent. Both Mr. Ricardo and Mr. Mill expressly state, that superiority of position with respect to manure and a market, is the same thing as superior natural fertility. These two circumstances are the same, in so far as they have the same influence on surplus produce; but they are very different in another respect. Superior natural fertility is constant; it can neither be increased nor diminished; it cannot be created: whereas superiority of position may be taken away or conferred; it may be taken away by the ruin of a town, or may be conferred by the establishment of a town, or of a new road which leads to a town, or even by the improvement of a road. Let us mark the consequences of this difference. An increase of population and wealth does not in the least augment the superior

natural fertility of any land: in all those parts of a country, on the other hand, where increasing population and wealth become fixed, there, superiority of position is conferred upon much land which possessed it not before. As to this land, a circumstance has taken place which augments surplus produce and rent, not merely without any decrease of the lowest return to capital, but by means of an increase in the return to some capital. A similar effect might be produced without any increase of population and wealth. If all the non-agricultural population of England were living in one town, then, merely by separating them into a great number of towns, the aggregate cost of conveying produce to market, and of obtaining manure, would be greatly diminished; and the whole difference would be divided amongst the owners of that land near to which the several towns had been established. This hypothetical case serves to illustrate the influence of superior position. Every part of a considerable country may be nearer to a town, than the greater part of some other countries. The greater part of the land in many countries is more distant from a town than any part of Holland. To what does Holland owe the great wealth and population in proportion to territory, which confer upon the whole of the land of that country a certain superiority of position? To the absence of a necessity for employing capital with less and less returns in growing the common food of the people; to the importation of the common food of the people from countries where it can be raised

at less cost than in Holland. This is a lesson for the landowners of England.

By not sufficiently attending to the influence of position, Mr. Ricardo and his followers have fallen into a curious mistake.

"On the first settling of a country," says Mr. Ricardo, "in which there is an abundance of rich and fertile land, a very small proportion of which is required to be cultivated with the capital which the population can command, *there will be no rent*; for no one would pay for the use of land, when there was an abundant quantity not yet appropriated, and, therefore, at the disposal of whosoever might choose to cultivate it."

"So long," says Mr. Mill, "as land produces nothing, it is not worth appropriating. So long as a part only of the best land is required for cultivation, all that is uncultivated yields nothing: that is, nothing which has any value. It naturally, therefore, remains unappropriated; and any man may have it, who undertakes to render it productive. *During this time, land, speaking correctly, yields no rent.*"

"On the first settlement," says Professor McCulloch, "of any country abounding in large tracts of unappropriated land, *no rent is ever paid*; and for this obvious reason, that no person will pay rent for what may be obtained in unlimited quantities for nothing. Thus in New Holland, where there is an ample supply of fertile and unappropriated land, *rent will not be heard of until the best lands are*

cultivated. In the earlier stages of society, and when only the best lands are cultivated, *rent is unknown**. In the earlier stages of the progress of any country, when none but the best of the good soils are cultivated, and when consequently the greatest quantity of food is obtained by means of a given quantity of labour, *no rent is ever paid*†.

Here we have a fact, and a reason for it. The statement of fact is contradicted by all experience. In countries where there is a prodigious extent of the most fertile land not yet cultivated, a very high rent is paid for some land, and even for land which is devoted to cultivation with a view to profit. In New York, and most of the large towns of North America, ground rents are as high, perhaps, as in Liverpool or London. Land in the neighbourhood of those towns, which is used for supplying the townspeople with produce that will not bear distant carriage, such as fruit, milk, and kitchen vegetables; what is called "accommodation-land" yields as high a rent in America as in England. In America again, land which is used for growing the common food of the people, if near to a town, or to a good road which leads to a town, yields a rent, when land used for the same purpose, but far from a town, yields none; it yields as rent the whole difference between the two costs of conveying produce to market; a difference which is remarkably great in

* Principles of Political Economy.

† Introductory Discourse to his edition of the *Wealth of Nations*.

countries where, for want of good roads, the produce of most land cannot be conveyed to market without a great outlay for transport*. "The difference between the return made to the more productive portions, and that which is made to the least productive portion of capital," is not always paid by a tenant to a landowner, because, in America, land is very commonly cultivated by those who own it; but that difference really constitutes rent, whether paid by the cultivator to the owner of land, or retained by the owner, who is also the cultivator. That difference arises in America, and other countries where there is yet a boundless extent of uncultivated land, from difference of position. It is true that, in such countries, rent is never paid for superior natural fertility; and the reason is plain, because, as Professor McCulloch says, "no person will pay rent for what may be obtained in unlimited quantities for nothing." But land in a superior position with respect to markets, never can exist in unlimited quantities; it is essentially of a limited quantity. One cannot but be surprised that such acute observers as Mr. Ricardo and Mr. Mill should have overlooked so obvious a distinction. Their mistake on this point forms the groundwork of that second negative position of the Ricardo theory, which rejects all causes of rent, save the necessity for employing

* Some conclusive evidence concerning the superior value of some land in countries where there is an unlimited quantity of the most fertile land, will be given under the head of Colonies.

capital with a smaller return*. Take away the foundation, and the superstructure is demolished.

Under the head of Position, we have to examine the nature and causes of that rent which is paid for what is termed accommodation-land.

In the neighbourhood of every town, there is land which, though used for cultivation, yields a higher rent than the difference between two costs of conveying commodities to market. Many of the wants of the inhabitants of a town cannot be supplied without the use of land in the neighbourhood of the town. Milk, many fruits, and many kitchen-vegetables, for instance, will not bear carriage from a distance. If raised at a considerable distance from the town, they would be spoiled on their way to market. If obtained at all by the inhabitants of a town, they must come from land which is not far off. So again, if the inhabitant of a town wish to keep cows for the use of his family, or want feeding-ground for his horses, as very commonly happens with the richer inhabitants of a town, though not of a large city, he must obtain the use of land which is near to his residence. Such a person, like the market-gardener and the dairy-man, hardly takes into account the difference between two costs of carriage from the land to the town. There, or not at all, he must obtain land which will serve his purpose. What he pays, therefore, for the use of such

* The causes of rent, in countries where there is an unlimited quantity of the most fertile land, will be more fully noticed under the head of Colonies.

land, will depend altogether on the proportion between the supply and the demand.

But the supply of land for purposes which no other land will serve,—for land in a given situation—must always be the same. It follows that the proportion between supply and demand must depend upon the amount of the demand. The demand must of course be in proportion to the size of the town, and the wealth of its inhabitants. We find, accordingly, that the accommodation-land which is round about a small and poor town, yields a lower rent than that which surrounds a large and wealthy one. The larger and richer the town, the higher will be the accommodation-rent paid in its neighbourhood; the greater the number of towns whose inhabitants are rich enough to pay for accommodation, the greater will be the aggregate amount of accommodation-rents. For augmenting this sort of rent locally and generally, the only means is an increase of wealthy town-population. We shall see presently under what circumstances this cause operates with the greatest effect, and increases another sort of rent which remains to be noticed.

The highest rent ever obtained, it has been observed before, is paid for land which yields nothing in the shape of produce. All the different classes of a society besides those who cultivate land, require land for an infinite variety of purposes besides cultivation. For carrying on the business and enjoyments of society, there must be houses, warehouses, factories, public buildings, docks, wharfs, market-

places, canals, roads, theatres, and pleasure-gardens. Wherever land is wanted for any of these or the like purposes, whether by private persons or on behalf of the public, it obtains a price, or lets for a rent, far exceeding the highest price or rent ever given even for accommodation-land. Whatever the local demand for such land, the supply must always be constant: price or rent, therefore, depends upon the demand. The local demand for such land has several degrees of intensity, according to the purpose for which the land is required, according to the difficulty or impossibility of attaining that purpose on any other spot, and according to the wealth of the class of persons whose purpose is to be served. But without dwelling on these not very important differences, it appears that, both locally and generally, the demand for land not employed in cultivation, like the demand for accommodation-land, depends upon the amount and the wealth of town-population. It was worth while to state such a truism, only with a view to what follows.

“It is,” says Dr. Chalmers, “just because of a fertility in the earth by which it yields a *surplus produce* over and above the food of direct and secondary labourers, that we can command the services of a *disposable population*, who, in return for their maintenance, minister to the proprietors of this surplus all the higher comforts and elegancies of life. It is precisely to this surplus that we owe it, that society is provided with more than a coarse and bare supply for the necessities of animal nature. It is

the original fund out of which are paid the expenses of art, and science, and civilization, and luxury, and law, and defence, and all, in short, that contributes to strengthen and adorn the commonwealth. Without this surplus we should have had but an agrarian population,—consisting of husbandmen, and those few homely and rustic artificers who, scattered in hamlets over the land, would have given their services to the whole population. To this surplus we stand indispensably indebted for our crowded cities, our thousand manufactories for the supply of comforts and refinements to society, our wide and diversified commerce, our armies of protection, our schools and colleges of education, our halls of legislation and justice, even our altars of piety and temple services.” The high rents of accommodation-land and building-ground are paid out of the surplus produce of other land—out of the profits of farmers * and the rents of landlords, in part directly, in part indirectly through the medium of taxation and exchange. The numbers and wealth of the town-population of England have arisen through a progressive increase of the surplus produce of agriculture. Our great disposable population, which in proportion to the whole number is double that of France, and is chiefly settled in towns, has been called into existence by improvements in agriculture which have augmented the

* Here is an example of the defects of our economical alphabet. We want words by which to distinguish between the surplus produce which constitutes rent, and the whole surplus produce above what replaces capital.

surplus produce of labour. We have seen the cause and the effect, in the great agricultural improvements which took place during the late war, and the consequent increase of town-population. A miraculous improvement in the natural fertility of our land would have had the same effect. We cannot improve the natural fertility of our land; nor is it probable that, in a country so highly cultivated as ours, much greater improvement will be made in the art of raising the common food of the people. But we may resort, for the common food of the people, to lands naturally more fertile than our own. In this way, the owners of our land would have a double gain. In the first place, common food being cheaper, they would gain the advantage already pointed out; that of a larger rent-surplus from the produce of capital employed in raising everything but common food. Secondly, they would gain an increase, to which one can set no limit, of our town-population, wanting accommodation-land and building-ground. Of the whole population fed by the agriculture of many distant lands, the part which Dr. Chalmers calls disposable, would reside here, extending in proportion to its increase, and more or less in all directions, that sort of demand for land which causes the highest rent. The general inference is most important. In a country which possesses superior and unlimited manufacturing power, and where the quantity of common food can be no further increased without a less productive employment of capital, the

most efficient cause of all sorts of rent, is the importation, by means of exchange for manufactured goods, of the cheapest common food that can be any where obtained.

The subject of the relations between price and rent remains to be considered.

When rent arises from, or is increased through, a necessity for resorting to inferior soils, or otherwise employing more capital with less returns, a rise of price must occur. The demand has increased; and the supply cannot be augmented except at a greater cost for the new quantity obtained. The new quantity, if sold at the old price, would not replace, with ordinary profit, the capital employed in raising it: the greater cost of production must be covered by a higher price. The price, therefore, rises in proportion to the difference between the old and the new costs of production. But as all the produce sells for this higher price, the more productive portions of capital may now be replaced, with ordinary profit, by the sale of less than the old quantity of produce. Hence a surplus, and rent, from capital which before yielded none. This is the Ricardo principle. Whenever rent arises or is increased according to the necessity principle, there is a rise in the price of the commodity which has been produced at greater cost. But, even in this case, price does not appear to be the cause of rent. The higher rent is accompanied by a higher price; but the cause, both of the price

and of the rent, seems to be a new demand which could not be supplied at the old cost.

If the new demand were supplied at the old cost, there would be no rise of price. The new demand might be so supplied by means of improvements in agricultural skill. The old returns to capital, being sold at the old price, replace capital with profit; but the returns are now greater: the price is the same; but there is more to sell. Hence a surplus, and rent, from capital which yielded none before. Here is fresh rent, without any rise of price.

Nay, rent may be increased with a fall of price, when the increase of rent arises from improvements. Suppose a new demand, and a new supply. If the supply is furnished by means of greater returns to capital, and the new quantity of produce somewhat exceed the new demand, price falls. But unless price fall so much that the whole of the new returns to capital must be sold in order to replace capital with profit, then, whatever part of those returns it is not necessary to sell for that purpose, becomes increase of surplus or rent. Whenever the increase of returns to capital is more than equal to the fall of price; whenever price does not fall to the whole extent of the decrease in the cost of production, then, rent increases with a fall of price.

There is yet another case in which rent rises as price falls.

Let us suppose that a nation expend equal amounts in the purchase, first of common food, and secondly, of other products of land; half of their land being

employed for raising common food, and the other half for raising other things. This being the case, all common food is now obtained from abroad at half price. Instead of half, therefore, only one quarter of the whole amount would now be spent on common food. Three quarters remain to be spent on other things. As the quantity of land for producing other things has been doubled, while the demand for other things has been augmented by one half; as the new supply of other things has been doubled, while the new demand has only been increased by one half, the price of other things will fall one quarter, or twenty-five per cent. But while the price of other things has fallen twenty-five per cent., the price of common food, and, therefore, the cost of producing other things, have fallen fifty per cent. The difference forms surplus or rent. Here would be a rise of rent, with a fall in the price, both of common food and of other things.

But so surely as common food was cheaper, the population and wealth of the nation would increase. In time, then, the demand for other things would come to equal the old demand for common food and other things together. The price of other things would then rise to its old mark. But as the price of common food would not rise, the cost of producing other things would still be fifty per cent. lower than of old. Thus the landlords would reap the whole benefit of the fall in the price of the common food of the people.

The gain of the landlords might not stop there.

If the power of the supposed nation to buy common food from other countries with manufactured goods were unlimited, and if there were no limit to the supply of common food at a low price*, in that case, wealth and population would go on increasing until the demand for other things than common food should exceed the old demand for common food and other things together. The price of other things would then rise above what it had ever been; and the whole increase of price would belong to the landlords. This advantage, though it would be obtained by means of a fall in the price of common food, may be termed a Ricardo-theory rent. The new rent would have arisen through a necessity, in order to meet the new demand, for employing capital with smaller returns; not, indeed, in growing the common food of the people, but in growing all the other things produced on the land of the supposed country.

Besides all that part of the produce, which is surplus over what replaces capital with profit, landlords commonly receive, under the name of rent, a payment for buildings and other improvements, such as clearing from noxious vegetation, draining, fencing, water-courses for irrigation, artificial ponds for cattle,

* Under the head of Corn Laws, I shall inquire at length into the probable limit to the supply of cheap corn which this country might obtain from foreign countries, and shall, under the head of Colonies, endeavour to show how the supply might be increased without any assignable limit.

&c., &c., &c. Adam Smith has supposed that the value of these artificial properties is governed by the same laws as the natural properties of the land; those properties which Mr. Ricardo calls "original and indestructible powers." He has been reproached, and especially by the most strenuous advocates of the Ricardo theory, with confounding two things essentially different. Payment, say they, for natural properties is rent: payment for artificial properties is a return for the capital by which those properties were created; it is profit, or interest. Upon this subject, Mr. Ricardo (page 188 of the present volume) and Mr. Mill (page 207) hold the same opinion as is expressed by Professor McCulloch in the following passage.

"The rent of land properly so called, is the sum paid by a tenant to a landlord for the use of the *natural and inherent* powers of the soil, and is entirely distinct from the sum which a tenant pays for the use of such buildings as may have been erected on a farm, or for any improvements that may have been effected on it. The latter is the profit on, or the return to, the capital laid out in the buildings or improvements. These two sums are commonly confounded, as they have been in this instance by Dr. Smith, under the general name of rent. But they are essentially distinct, and ought to be so considered in every inquiry of this sort."*

* Foot-note in his edition of the *Wealth of Nations*, vol. i. p. 239.

The question on which Professor McCulloch thus widely differs from Adam Smith is of great importance. In advanced countries, a very large proportion of what is paid for land used in cultivation, consists of a payment for properties which have been conferred by the outlay of capital. Suppose the whole of the land of this country brought back to a state of nature ; without farm-buildings of any sort, unfenced, undrained, and covered, here, with a dense forest, there, with furze and brambles, and, in other places, with reeds and rushes, or stagnant water : then estimate the cost of replacing every thing in its present state : allow five, or only two per cent., as profit or interest on the outlay ; deduct that sum from the present rent paid for land used in cultivation : how much would remain as payment for " the natural and inherent powers of the soil " ? So little, every one will allow, as to constitute a small proportion of the whole rent. If, therefore, Professor McCulloch were in the right, the laws which regulate rent, would affect but a very small, an insignificant fraction of the whole rental of any advanced country. I cannot help thinking, that he is altogether in the wrong.

Some of the land in this and other countries, which is used for growing common food, and yields a high rent, has been reclaimed from the sea by an outlay of capital. The natural or original property of this land was that of being covered twice every day with salt water. The fertility which it now possesses, is altogether artificial ; has been created

by the outlay of capital for forming a wall or bank which excludes the salt water. The rent which some of this land yields is, I believe, equal to the capital laid out in conferring on the land its actual properties. The rent of this land has greatly increased of late years, like that of other land in England. But the rates of profit and interest have declined, while rent was increasing. Is this case, then, an exception from the general rule? Do those who laid out capital in giving to this land all its fertile properties, or their successors, obtain a rate of profit, or interest, amounting to perhaps one hundred per cent., while the common rate of interest is under four per cent.? These questions require no other answer, than that rent for this land has obviously been governed by the same laws, as the rent of other land which does not owe all its properties to an outlay of capital.

In the case taken as an example by Mr. Mill, when capital is laid out in clearing the land of its natural forest,—a process without which the land would have possessed no fertility whatever,—is all the rent which afterwards arises, to be considered as profit or interest on the original outlay? Clearly not; because the rent of this land will rise, or, having risen, will fall, not according to the laws which govern profit and interest, but according to those which govern rent. In every case, it seems quite plain, a property which has been bestowed by labour, will rise or fall in value exactly like a natural property.

But it may be said that there is a wide difference between artificial and natural properties; since farm-buildings, drains, fences, water-courses, and sea-walls must be occasionally renewed by fresh outlays of capital, while the natural powers of the soil are "indestructible." The answer is, that the soil has no indestructible powers; that the natural powers of the soil may be destroyed by over-cropping, and must be preserved, if at all, by forbearance on the part of the cultivator,—by his never forcing the land to produce as much as might be obtained from it; that the farmer is usually bound by his lease, or by custom, to abstain from over-cropping the land; that, during a few years, he would pay a great deal more for the land, if allowed to injure its natural properties; that if he were allowed to over-crop the land, its natural properties must be renewed by an outlay for manure, or by a loss of rent while the land was left in fallow to recover its fertility, exceeding the extraordinary rent paid for permission to over-crop the land; and, that what the landlord foregoes, in order to preserve, or, if he did not forego, would have to expend, in order to restore the natural qualities of a farm, is of the same character precisely as that which he occasionally expends in order to preserve its artificial qualities; and that, consequently, so far as rent is concerned, there is no difference between artificial and natural properties.

There is, however, a great difference between properties created by an outlay of capital, and the moveable capital employed in farming. The former

being permanently joined to, or blended with, the natural properties of the soil, become, as respects their value, subject to the same circumstances as regulate the value of natural properties: the latter partakes of the character of all other moveable capital, and is subject to the circumstances which determine the rate of profit. While, therefore, Adam Smith has properly confounded things which are essentially the same, Professor McCulloch not only separates those things, but confounds things which are essentially distinct.

BOOK II.

Of the Nature, Accumulation, and Employment of Stock.

INTRODUCTION.

IN that rude state of society in which there is no division of labour [employments], in which exchanges are seldom made, and in which every man provides every thing for himself, it is not necessary that any stock should be accumulated or stored up beforehand in order to carry on the business of the society. Every man endeavours to supply by his own industry his own occasional wants as they occur. When he is hungry, he goes to the forest to hunt; when his coat is worn out, he clothes himself with the skin of the first large animal he kills; and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are nearest it.

But when the division of labour [employments] has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants. The far greater part of them are supplied by the produce of other men's labour, which he purchases with the produce, or, what is the same thing, with the price of the produce of his own. But this purchase cannot be

made till such time as the produce of his own labour has not only been completed, but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work till such time, at least, as both these events can be brought about. A weaver cannot apply himself entirely to his peculiar business, unless there is beforehand stored up somewhere, either in his own possession or in that of some other person, a stock sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business.

As the accumulation of stock must, in the nature of things, be previous to the division of labour [employments], so labour [employments] can be more and more subdivided in proportion only as stock is previously more and more accumulated. The quantity of materials which the same number of people can work up, increases in a great proportion as labour comes [employments come] to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and abridging those operations. As the division of labour [employments] advances, therefore, in order to give constant employment to an equal number of workmen, an equal

stock of provisions, and a greater stock of materials and tools than what would have been necessary in a ruder state of things, must be accumulated beforehand. But the number of workmen in every branch of business generally increases with the division of labour [employments] in that branch, or rather it is the increase of their number which enables them to class and subdivide themselves in this manner*.

As the accumulation of stock is previously necessary for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. The person who employs his stock in maintaining labour, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase.

* The first and most important division of employments seems to be that which takes place, when by means of concert or combination, some men work, and some superintend; when some use the capital of others, receiving a portion of the produce as wages. Before this can happen, capital must, of course, have been accumulated; but this division of employments does not necessarily follow the accumulation of capital. In the infancy of new colonies, for example, before any kind of slavery has been established, capital taken from the mother country generally perishes for want of hired labourers to use it. And in every country, whether of ancient or modern times, while land was so cheap that every freeman could easily obtain a piece for himself, the only means of maintaining the first and most important division of employments has been some sort of slavery.

His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ. The quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it, but, in consequence of that increase, the same quantity of industry produces a much greater quantity of work.

Such are in general the effects of the increase of stock upon industry and its productive powers.

In the following book I have endeavoured to explain the nature of stock, the effects of its accumulation into capitals of different kinds, and the effects of the different employments of those capitals. This book is divided into five chapters. In the first chapter, I have endeavoured to show what are the different parts or branches into which the stock, either of an individual, or of a great society, naturally divides itself. In the second, I have endeavoured to explain the nature and operation of money considered as a particular branch of the general stock of the society. The stock which is accumulated into a capital, may either be employed by the person to whom it belongs, or it may be lent to some other person. In the third and fourth chapters, I have endeavoured to examine the manner in which it operates in both these situations. The fifth and last chapter treats of the different effects which the different employments of capital immediately produce upon the quantity both of national industry, and of the annual produce of land and labour.

CHAPTER I.

Of the Division of Stock.

WHEN the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labour to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labour only. This is the state of the greater part of the labouring poor in all countries*.

But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours to derive a revenue from the greater part of it; reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. That part which, he expects, is to afford him this revenue, is called his capital. The other is that which supplies his immediate consumption; and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his revenue, from

* The greater part, as has been said before (vol. i. p. 174), of those who cultivate land in most countries, do not work for hire, but employ small capitals of their own.—E.

whatever source derived, as it gradually comes in ; or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed ; such as a stock of clothes, household furniture, and the like. In one, or other, or all of these three articles, consists the stock which men commonly reserve for their own immediate consumption.

There are two different ways in which a capital may be employed so as to yield a revenue or profit to its employer.

First, it may be employed in raising, manufacturing, or purchasing goods, and selling them again with a profit. The capital employed in this manner yields no revenue or profit to its employer, while it either remains in his possession, or continues in the same shape. The goods of the merchant yield him no revenue or profit till he sells them for money, and the money yields him as little till it is again exchanged for goods. His capital is continually going from him in one shape, and returning to him in another, and it is only by means of such circulation, or successive exchanges, that it can yield him any profit. Such capitals, therefore, may very properly be called circulating capitals.

Secondly, it may be employed in the improvement of land, in the purchase of useful machines and instruments of trade, or in such like things as yield a revenue or profit without changing masters, or circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

Different occupations require very different proportions between the fixed and circulating capitals employed in them.

The capital of a merchant, for example, is altogether a circulating capital. He has occasion for no machines or instruments of trade, unless his shop or warehouse be considered as such.

Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade. This part, however, is very small in some, and very great in others. A master tailor requires no other instruments of trade but a parcel of needles. Those of the master shoemaker are a little, though but a very little, more expensive. Those of the weaver rise a good deal above those of the shoemaker. The far greater part of the capital of all such master artificers, however, is circulated, either in the wages of their workmen, or in the price of their materials, and repaid with a profit by the price of the work.

In other works a much greater fixed capital is required. In a great iron-work, for example, the furnace for melting the ore, the forge, the slit-mill, are instruments of trade which cannot be erected without a very great expense. In coal-works, and mines of every kind, the machinery necessary both for drawing out the water and for other purposes, is frequently still more expensive.

That part of the capital of the farmer which is employed in the instruments of agriculture is a fixed, that which is employed in the wages and mainte-

nance of his labouring servants, is a circulating capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his labouring cattle is a fixed capital in the same manner as that of the instruments of husbandry: their maintenance is a circulating capital in the same manner as that of the labouring servants. The farmer makes his profit by keeping the labouring cattle, and by parting with their maintenance. Both the price and the maintenance of the cattle which are bought in and fattened, not for labour, but for sale, are a circulating capital. The farmer makes his profit by parting with them. A flock of sheep or a herd of cattle that, in a breeding country, is bought in, neither for labour, nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital. The profit is made by keeping them. Their maintenance is a circulating capital. The profit is made by parting with it; and it comes back with both its own profit, and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the seed too is properly a fixed capital. Though it goes backwards and forwards between the ground and the granary, it never changes masters, and therefore does not properly circulate. The farmer makes his profit, not by its sale, but by its increase.

The general stock of any country or society is the same with that of all its inhabitants or members, and therefore naturally divides itself into the same

three portions; each of which has a distinct function or office.

The first is that portion which is reserved for immediate consumption, and of which the characteristic is, that it affords no revenue or profit. It consists in the stock of food, clothes, household furniture, &c. which have been purchased by their proper consumers, but which are not yet entirely consumed. The whole stock of mere dwelling-houses too subsisting at any one time in the country, make a part of this first portion. The stock that is laid out in a house, if it is to be the dwelling-house of the proprietor, ceases from that moment to serve in the function of a capital, or to afford any revenue to its owner. A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue. If it is to be let to a tenant for rent, as the house itself can produce nothing, the tenant must always pay the rent out of some other revenue which he derives either from labour, or stock, or land. Though a house, therefore, may yield a revenue to its proprietor, and thereby serve in the function of a capital to him, it cannot yield any to the public, nor serve in the function of a capital to it, and the revenue of the whole body of the people can never be in the smallest degree increased by it. Clothes, and household furniture, in the same manner, sometimes yield a revenue, and

thereby serve in the function of a capital to particular persons. In countries where masquerades are common, it is a trade to let out masquerade dresses for a night. Upholsterers frequently let furniture by the month or by the year. Undertakers let the furniture of funerals by the day and by the week. Many people let furnished houses, and get a rent, not only for the use of the house, but for that of the furniture. The revenue, however, which is derived from such things, must always be ultimately drawn from some other source of revenue. Of all parts of the stock, either of an individual, or of a society, reserved for immediate consumption, what is laid out in houses is most slowly consumed. A stock of clothes may last several years : a stock of furniture half a century or a century : but a stock of houses, well built and properly taken care of, may last many centuries. Though the period of their total consumption, however, is more distant, they are still as really a stock reserved for immediate consumption as either clothes or household furniture.

The second of the three portions into which the general stock of the society divides itself, is the fixed capital, of which the characteristic is, that it affords a revenue or profit without circulating or changing masters. It consists chiefly of the four following articles :

First, of all useful machines and instruments of trade which facilitate and abridge labour :

Secondly, of all those profitable buildings which are the means of procuring a revenue, not only to

their proprietor who lets them for a rent, but to the person who possesses them and pays that rent for them ; such as shops, warehouses, workhouses, farm-houses, with all their necessary buildings ; stables, granaries, &c. These are very different from mere dwelling-houses. They are a sort of instruments of trade, and may be considered in the same light :

Thirdly, of the improvements of land, of what has been profitably laid out in clearing, draining, enclosing, manuring, and reducing it into the condition most proper for tillage and culture. An improved farm may very justly be regarded in the same light as those useful machines which facilitate and abridge labour, and by means of which, an equal circulating capital can afford a much greater revenue to its employer. An improved farm is equally advantageous and more durable than any of those machines, frequently requiring no other repairs than the most profitable application of the farmer's capital employed in cultivating it :

Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges

labour, and which, though it costs a certain expense, repays that expense with a profit.

The third and last of the three portions into which the general stock of the society naturally divides itself, is the circulating capital; of which the characteristic is, that it affords a revenue only by circulating or changing masters. It is composed likewise of four parts :

First, of the money by means of which all the other three are circulated and distributed to their proper consumers :

Secondly, of the stock of provisions which are in the possession of the butcher, the grazier, the farmer, the corn-merchant, the brewer, &c., and from the sale of which they expect to derive a profit :

Thirdly, of the materials, whether altogether rude, or more or less manufactured, of clothes, furniture, and building, which are not yet made up into any of those three shapes, but which remain in the hands of the growers, the manufacturers, the mercers, and drapers, the timber-merchants, the carpenters and joiners, the brickmakers, &c.

Fourthly, and lastly, of the work which is made up and completed, but which is still in the hands of the merchant and manufacturer, and not yet disposed of or distributed to the proper consumers ; such as the finished work which we frequently find ready-made in the shops of the smith, the cabinet-maker, the goldsmith, the jeweller, the china-merchant, &c. The circulating capital consists, in

this manner, of the provisions, materials, and finished work of all kinds that are in the hands of their respective dealers, and of the money that is necessary for circulating and distributing them to those who are finally to use or to consume them.

Of these four parts, three, provisions, materials, and finished work, are, either annually, or in a longer or shorter period, regularly withdrawn from it, and placed either in the fixed capital, or in the stock reserved for immediate consumption.

Every fixed capital is both originally derived from, and requires to be continually supported by, a circulating capital. All useful machines and instruments of trade are originally derived from a circulating capital, which furnishes the materials of which they are made, and the maintenance of the workmen who make them. They require too a capital of the same kind to keep them in constant repair.

No fixed capital can yield any revenue but by means of a circulating capital. The most useful machines and instruments of trade will produce nothing without the circulating capital which affords the materials they are employed upon, and the maintenance of the workmen who employ them. Land, however improved, will yield no revenue without a circulating capital, which maintains the labourers who cultivate and collect its produce.

To maintain and augment the stock which may be reserved for immediate consumption, is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes, and

lodges the people. Their riches or poverty depends upon the abundant or sparing supplies which those two capitals can afford to the stock reserved for immediate consumption.

So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must in its turn require continual supplies, without which it would soon cease to exist. These supplies are principally drawn from three sources, the produce of land, of mines, and of fisheries. These afford continual supplies of provisions and materials, of which part is afterwards wrought up into finished work, and by which are replaced the provisions, materials, and finished work continually withdrawn from the circulating capital. From mines too is drawn what is necessary for maintaining and augmenting that part of it which consists in money. For though, in the ordinary course of business, this part is not, like the other three, necessarily withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must, however, like all other things, be wasted and worn out at last, and sometimes too be either lost or sent abroad, and must, therefore, require continual, though, no doubt, much smaller supplies.

Land, mines, and fisheries, require all both a fixed and a circulating capital to cultivate them; and their produce replaces with a profit, not only those capitals, but all the others in the society.

Thus the farmer annually replaces to the manufacturer the provisions which he had consumed and the materials which he had wrought up the year before ; and the manufacturer replaces to the farmer the finished work which he had wasted and worn out in the same time. This is the real exchange that is annually made between those two orders of people, though it seldom happens that the rude produce of the one and the manufactured produce of the other are directly bartered for one another ; because it seldom happens that the farmer sells his corn and his cattle, his flax and his wool, to the very same person of whom he chuses to purchase the clothes, furniture, and instruments of trade which he wants. He sells, therefore, his rude produce for money, with which he can purchase, wherever it is to be had, the manufactured produce he has occasion for. Land even replaces, in part at least, the capitals with which fisheries and mines are cultivated. It is the produce of land which draws the fish from the waters ; and it is the produce of the surface of the earth which extracts the minerals from its bowels.

The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal, and equally well applied, it is in proportion to their natural fertility.

In all countries where there is tolerable security, every man of common understanding will endeavour

to employ whatever stock he can command, in procuring either present enjoyment or future profit. If it is employed in procuring present enjoyment, it is a stock reserved for immediate consumption. If it is employed in procuring future profit, it must procure this profit, either by staying with him, or by going from him. In the one case it is a fixed, in the other it is a circulating capital. A man must be perfectly crazy who, where there is tolerable security, does not employ all the stock which he commands, whether it be his own, or borrowed of other people, in some one or other of those three ways.

In those unfortunate countries, indeed, where men are continually afraid of the violence of their superiors, they frequently bury and conceal a great part of their stock, in order to have it always at hand to carry with them to some place of safety, in case of their being threatened with any of those disasters to which they consider themselves as at all times exposed. This is said to be a common practice in Turkey, in Indostan, and, I believe, in most other governments of Asia. It seems to have been a common practice among our ancestors during the violence of the feudal government. Treasure-trove was in those times considered as no contemptible part of the revenue of the greatest sovereigns in Europe. It consisted in such treasure as was found concealed in the earth, and to which no particular person could prove any right. This was regarded in those times as so important an object, that it was

always considered as belonging to the sovereign, and neither to the finder nor to the proprietor of the land, unless the right to it had been conveyed to the latter by an express clause in his charter. It was put upon the same footing with gold and silver mines, which, without a special clause in the charter, were never supposed to be comprehended in the general grant of the lands, though mines of lead, copper, tin, and coal were, as things of smaller consequence*.

* The subject of this chapter is so intimately connected with that of the Third chapter of this Book (the Accumulation of Capital), that I find it more convenient to notice them both under one head. The introduction of a treatise on Metallic and Paper Currency between these two chapters, is a striking example of the disorder of the *Wealth of Nations*.—E.

CHAP. II.

Of Money considered as a particular Branch of the general Stock of the Society, or of the Expense of maintaining the National Capital.

IT has been shown in the First Book, that the price of the greater part of commodities resolves itself into three parts, of which one pays the wages of the labour, another the profits of the stock, and a third the rent of the land which had been employed in producing and bringing them to market : that there are, indeed, some commodities of which the price is made up of two of those parts only, the wages of labour, and the profits of stock ; and a very few in which it consists altogether in one, the wages of labour ; but that the price of every commodity necessarily resolves itself into some one, or other, or all of these three parts ; every part of it which goes neither to rent nor to wages, being necessarily profit to somebody.

Since this is the case, it has been observed, with regard to every particular commodity, taken separately ; it must be so with regard to all the commodities which compose the whole annual produce of the land and labour of every country, taken complexly. The whole price or exchangeable value of that annual produce, must resolve itself into the same three parts, and be parcelled out among the

different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land.

But though the whole value of the annual produce of the land and labour of every country is thus divided among and constitutes a revenue to its different inhabitants ; yet as in the rent of a private estate we distinguish between the gross rent and the neat rent, so may we likewise in the revenue of all the inhabitants of a great country.

The gross rent of a private estate comprehends whatever is paid by the farmer ; the neat rent, what remains free to the landlord, after deducting the expense of management, of repairs, and all other necessary charges ; or what, without hurting his estate, he can afford to place in his stock reserved for immediate consumption, or to spend upon his table, equipage, the ornaments of his house and furniture, his private enjoyments and amusements. His real wealth is in proportion, not to his gross, but to his neat rent.

The gross revenue of all the inhabitants of a great country comprehends the whole annual produce of their land and labour ; the neat revenue, what remains free to them after deducting the expense of maintaining ; first, their fixed ; and secondly, their circulating capital ; or what, without encroaching upon their capital, they can place in their stock reserved for immediate consumption, or spend upon their subsistence, conveniencies, and

amusements. Their real wealth too is in proportion, not to their gross, but to their neat revenue.

The whole expense of maintaining the fixed capital, must evidently be excluded from the neat revenue of the society. Neither the materials necessary for supporting their useful machines and instruments of trade, their profitable buildings, &c., nor the produce of the labour necessary for fashioning those materials into the proper form, can ever make any part of it. The price of that labour may indeed make a part of it; as the workmen so employed may place the whole value of their wages in their stock reserved for immediate consumption. But in other sorts of labour, both the price and the produce go to this stock, the price to that of the workmen, the produce to that of other people, whose subsistence, conveniencies, and amusements, are augmented by the labour of those workmen.

The intention of the fixed capital is to increase the productive powers of labour, or to enable the same number of labourers to perform a much greater quantity of work. In a farm where all the necessary buildings, fences, drains, communications, &c. are in the most perfect good order, the same number of labourers and labouring cattle will raise a much greater produce, than in one of equal extent and equally good ground, but not furnished with equal conveniencies. In manufactures the same number of hands, assisted with the best machinery, will work up a much greater quantity of goods than with

more imperfect instruments of trade. The expense which is properly laid out upon a fixed capital of any kind, is always repaid with great profit, and increases the annual produce by a much greater value than that of the support which such improvements require. This support, however, still requires a certain portion of that produce. A certain quantity of materials, and the labour of a certain number of workmen, both of which might have been immediately employed to augment the food, clothing, and lodging, the subsistence and conveniencies of the society, are thus diverted to another employment, highly advantageous indeed, but still different from this one. It is upon this account that all such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and the labour of a certain number of workmen, which had before been employed in supporting a more complex and expensive machinery, can afterwards be applied to augment the quantity of work which that or any other machinery is useful only for performing. The undertaker of some great manufactory who employs a thousand a-year in the maintenance of his machinery, if he can reduce this expense to five hundred, will naturally employ the other five hundred in purchasing an additional quantity of materials to be wrought up by an additional number

of workmen. The quantity of that work, therefore, which his machinery was useful only for performing; will naturally be augmented, and with it all the advantage and conveniency which the society can derive from that work.

The expense of maintaining the fixed capital in a great country, may very properly be compared to that of repairs in a private estate. The expense of repairs may frequently be necessary for supporting the produce of the estate, and consequently both the gross and the neat rent of the landlord. When by a more proper direction, however, it can be diminished without occasioning any diminution of produce, the gross rent remains at least the same as before, and the neat rent is necessarily augmented.

But though the whole expense of maintaining the fixed capital is thus necessarily excluded from the neat revenue of the society, it is not the same case with that of maintaining the circulating capital. Of the four parts of which this latter capital is composed, money, provisions, materials, and finished work, the three last, it has already been observed, are regularly withdrawn from it, and placed either in the fixed capital of the society, or in their stock reserved for immediate consumption. Whatever portion of those consumable goods is not employed in maintaining the former, goes all to the latter, and makes a part of the neat revenue of the society. The maintenance of those three parts of the circulating capital, therefore, withdraws no portion of the annual produce from the neat revenue of the

society, besides what is necessary for maintaining the fixed capital.

The circulating capital of a society is in this respect different from that of an individual. That of an individual is totally excluded from making any part of his neat revenue, which must consist altogether in his profits. But though the circulating capital of every individual makes a part of that of the society to which he belongs, it is not upon that account totally excluded from making a part likewise of their neat revenue. Though the whole goods in a merchant's shop must by no means be placed in his own stock reserved for immediate consumption, they may in that of other people, who, from a revenue derived from other funds, may regularly replace their value to him, together with its profits, without occasioning any diminution either of his capital or of theirs.

Money, therefore, is the only part of the circulating capital of a society, of which the maintenance can occasion any diminution in their neat revenue.

The fixed capital, and that part of the circulating capital, which consists in money, so far as they affect the revenue of the society, bear a very great resemblance to one another.

First, as those machines and instruments of trade, &c. require a certain expense, first to erect them, and afterwards to support them, both which expenses, though they make a part of the gross, are deductions from the neat revenue of the society; so the stock of money which circulates in any country

must require a certain expense, first to collect it, and afterwards to support it, both which expenses, though they make a part of the gross, are, in the same manner, deductions from the neat revenue of the society. A certain quantity of very valuable materials, gold and silver, and of very curious labour, instead of augmenting the stock reserved for immediate consumption, the subsistence, conveniencies, and amusements of individuals, is employed in supporting that great but expensive instrument of commerce, by means of which every individual in the society has his subsistence, conveniencies, and amusements, regularly distributed to him in their proper proportion.

Secondly, as the machines and instruments of trade, &c. which compose the fixed capital either of an individual or of a society, make no part either of the gross or of the neat revenue of either; so money, by means of which the whole revenue of the society is regularly distributed among all its different members, makes itself no part of that revenue. The great wheel of circulation is altogether different from the goods which are circulated by means of it. The revenue of the society consists altogether in those goods, and not in the wheel which circulates them. In computing either the gross or the neat revenue of any society, we must always, from their whole annual circulation of money and goods, deduct the whole value of the money, of which not a single farthing can ever make any part of either.

It is the ambiguity of language only which can

make this proposition appear either doubtful or paradoxical. When properly explained and understood, it is almost self-evident.

When we talk of any particular sum of money, we sometimes mean nothing but the metal pieces of which it is composed ; and sometimes we include in our meaning some obscure reference to the goods which can be had in exchange for it, or to the power of purchasing which the possession of it conveys. Thus when we say, that the circulating money of England has been computed at eighteen millions, we mean only to express the amount of the metal pieces, which some writers have computed, or rather have supposed to circulate in that country. But when we say, that a man is worth fifty or a hundred pounds a-year, we mean commonly to express not only the amount of the metal pieces which are annually paid to him, but the value of the goods which he can annually purchase or consume. We mean commonly to ascertain what is or ought to be his way of living, or the quantity and quality of the necessaries and conveniencies of life in which he can with propriety indulge himself.

When, by any particular sum of money, we mean not only to express the amount of the metal pieces of which it is composed, but to include in its signification some obscure reference to the goods which can be had in exchange for them, the wealth or revenue which it in this case denotes, is equal only to one of the two values which are thus intimated somewhat ambiguously by the same word, and to

the latter more properly than to the former, to the money's worth more properly than to the money.

Thus if a guinea be the weekly pension of a particular person, he can in the course of the week purchase with it a certain quantity of subsistence, conveniencies, and amusements. In proportion as this quantity is great or small, so are his real riches, his real weekly revenue. His weekly revenue is certainly not equal both to the guinea, and to what can be purchased with it, but only to one or other of those two equal values; and to the latter more properly than to the former; to the guinea's worth rather than to the guinea.

If the pension of such a person was paid to him, not in gold, but in a weekly bill for a guinea, his revenue surely would not so properly consist in the piece of paper, as in what he could get for it. A guinea may be considered as a bill for a certain quantity of necessaries and conveniencies upon all the tradesmen in the neighbourhood. The revenue of the person to whom it is paid does not so properly consist in the piece of gold, as in what he can get for it, or in what he can exchange it for. If it could be exchanged for nothing, it would, like a bill upon a bankrupt, be of no more value than the most useless piece of paper.

Though the weekly or yearly revenue of all the different inhabitants of any country, in the same manner, may be, and in reality frequently is paid to them in money, their real riches, however, the real weekly or yearly revenue of all of them taken to-

gether, must always be great or small in proportion to the quantity of consumable goods which they can all of them purchase with this money. The whole revenue of all of them taken together is evidently not equal to both the money and the consumable goods; but only to one or other of those two values, and to the latter more properly than to the former.

Though we frequently, therefore, express a person's revenue by the metal pieces which are annually paid to him, it is because the amount of those pieces regulates the extent of his power of purchasing, or the value of the goods which he can annually afford to consume. We still consider his revenue as consisting in this power of purchasing or consuming, and not in the pieces which convey it.

But if this is sufficiently evident even with regard to an individual, it is still more so with regard to a society. The amount of the metal pieces which are annually paid to an individual is often precisely equal to his revenue, and is upon that account the shortest and best expression of its value. But the amount of the metal pieces which circulate in a society, can never be equal to the revenue of all its members. As the same guinea which pays the weekly pension of one man to-day, may pay that of another to-morrow, and that of a third the day thereafter, the amount of the metal pieces which annually circulate in any country must always be of much less value than the whole money pensions annually paid with them. But the power of purchasing, or

the goods which can successively be bought with the whole of those money pensions as they are successively paid, must always be precisely of the same value with those pensions; as must likewise be the revenue of the different persons to whom they are paid. That revenue, therefore, cannot consist in those metal pieces, of which the amount is so much inferior to its value, but in the power of purchasing, in the goods which can successively be bought with them as they circulate from hand to hand.

Money, therefore, the great wheel of circulation, the great instrument of commerce, like all other instruments of trade, though it makes a part and a very valuable part of the capital, makes no part of the revenue of the society to which it belongs; and though the metal pieces of which it is composed, in the course of their annual circulation, distribute to every man the revenue which properly belongs to him, they make themselves no part of that revenue.

Thirdly, and lastly, the machines and instruments of trade, &c. which compose the fixed capital, bear this further resemblance to that part of the circulating capital which consists in money; that as every saving in the expense of erecting and supporting those machines, which does not diminish the productive powers of labour, is an improvement of the neat revenue of the society; so every saving in the expense of collecting and supporting that part of the circulating capital which consists in money, is an improvement of exactly the same kind.

It is sufficiently obvious, and it has partly too

been explained already, in what manner every saving in the expense of supporting the fixed capital is an improvement of the neat revenue of the society. The whole capital of the undertaker of every work is necessarily divided between his fixed and his circulating capital. While his whole capital remains the same, the smaller the one part, the greater must necessarily be the other. It is the circulating capital which furnishes the materials and wages of labour, and puts industry into motion. Every saving, therefore, in the expense of maintaining the fixed capital, which does not diminish the productive powers of labour, must increase the fund which puts industry into motion, and consequently the annual produce of land and labour, the real revenue of every society.

The substitution of paper in the room of gold and silver money, replaces a very expensive instrument of commerce with one much less costly, and sometimes equally convenient. Circulation comes to be carried on by a new wheel, which it costs less both to erect and to maintain than the old one. But in what manner this operation is performed, and in what manner it tends to increase either the gross or the neat revenue of the society, is not altogether so obvious, and may therefore require some further explication.

There are several different sorts of paper money; but the circulating notes of banks and bankers are the species which is best known, and which seems best adapted for this purpose.

When the people of any particular country have such confidence in the fortune, probity, and prudence of a particular banker, as to believe that he is always ready to pay upon demand such of his promissory notes as are likely to be at any time presented to him ; those notes come to have the same currency as gold and silver money, from the confidence that such money can at any time be had for them.

A particular banker lends among his customers his own promissory notes, to the extent, we shall suppose, of a hundred thousand pounds. As those notes serve all the purposes of money, his debtors pay him the same interest as if he had lent them so much money. This interest is the source of his gain. Though some of those notes are continually coming back upon him for payment, part of them continue to circulate for months and years together. Though he has generally in circulation, therefore, notes to the extent of a hundred thousand pounds, twenty thousand pounds in gold and silver may, frequently, be a sufficient provision for answering occasional demands. By this operation, therefore, twenty thousand pounds in gold and silver perform all the functions which a hundred thousand could otherwise have performed. The same exchanges may be made, the same quantity of consumable goods may be circulated and distributed to their proper consumers, by means of his promissory notes, to the value of a hundred thousand pounds, as by an equal value of gold and silver money. Eighty

thousand pounds of gold and silver, therefore, can, in this manner, be spared from the circulation of the country; and if different operations of the same kind should, at the same time, be carried on by many different banks and bankers, the whole circulation may thus be conducted with a fifth part only of the gold and silver which would otherwise have been requisite.

Let us suppose, for example, that the whole circulating money of some particular country amounted, at a particular time, to one million sterling, that sum being then sufficient for circulating the whole annual produce of their land and labour. Let us suppose, too, that some time thereafter, different banks and bankers issued promissory notes, payable to the bearer, to the extent of one million, reserving in their different coffers two hundred thousand pounds for answering occasional demands. There would remain, therefore, in circulation, eight hundred thousand pounds in gold and silver, and a million of bank notes, or eighteen hundred thousand pounds of paper and money together. But the annual produce of the land and labour of the country had before required only one million to circulate and distribute it to its proper consumers, and that annual produce cannot be immediately augmented by those operations of banking. One million, therefore, will be sufficient to circulate it after them. The goods to be bought and sold being precisely the same as before, the same quantity of money will be sufficient for buying and selling them. The channel

of circulation, if I may be allowed such an expression, will remain precisely the same as before. One million we have supposed sufficient to fill that channel. Whatever, therefore, is poured into it beyond this sum, cannot run in it, but must overflow. One million eight hundred thousand pounds are poured into it. Eight hundred thousand pounds, therefore, must overflow, that sum being over and above what can be employed in the circulation of the country. But, though this sum cannot be employed at home, it is too valuable to be allowed to lie idle. It will, therefore, be sent abroad, in order to seek that profitable employment which it cannot find at home. But the paper cannot go abroad; because at a distance from the banks which issue it, and from the country in which payment of it can be exacted by law, it will not be received in common payments. Gold and silver, therefore, to the amount of eight hundred thousand pounds, will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of a million of those metals which filled it before.

But though so great a quantity of gold and silver is thus sent abroad, we must not imagine that it is sent abroad for nothing, or that its proprietors make a present of it to foreign nations. They will exchange it for foreign goods of some kind or another, in order to supply the consumption either of some other foreign country, or of their own. .

If they employ it in purchasing goods in one foreign country in order to supply the consumption

of another, or in what is called the carrying trade, whatever profit they make will be an addition to the neat revenue of their own country. It is like a new fund, created for carrying on a new trade ; domestic business being now transacted by paper, and the gold and silver being converted into a fund for this new trade.

If they employ it in purchasing foreign goods for home consumption, they may either, first, purchase such goods as are likely to be consumed by idle people who produce nothing, such as foreign wines, foreign silks, &c. ; or, secondly, they may purchase an additional stock of materials, tools, and provisions, in order to maintain and employ an additional number of industrious people, who re-produce, with a profit, the value of their annual consumption.

So far as it is employed in the first way, it promotes prodigality, increases expense and consumption without increasing production, or establishing any permanent fund for supporting that expense, and is in every respect hurtful to the society.

So far as it is employed in the second way, it promotes industry ; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption, the people who consume re-producing, with a profit, the whole value of their annual consumption. The gross revenue of the society, the annual produce of their land and labour, is increased by the whole value which the labour of those workmen adds to the materials upon which they are employed ; and their

neat revenue by what remains of this value, after deducting what is necessary for supporting the tools and instruments of their trade.

That the greater part of the gold and silver which, being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is and must be employed in purchasing those of this second kind, seems not only probable but almost unavoidable. Though some particular men may sometimes increase their expense very considerably, though their revenue does not increase at all, we may be assured that no class or order of men ever does so ; because, though the principles of common prudence do not always govern the conduct of every individual, they always influence that of the majority of every class or order. But the revenue of idle people, considered as a class or order, cannot, in the smallest degree, be increased by those operations of banking. Their expense in general, therefore, cannot be much increased by them, though that of a few individuals among them may, and in reality sometimes is. The demand of idle people, therefore, for foreign goods, being the same, or very nearly the same, as before, a very small part of the money, which being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is likely to be employed in purchasing those for their use. The greater part of it will naturally be destined for the employment of industry, and not for the maintenance of idleness.

When we compute the quantity of industry which the circulating capital of any society can employ, we must always have regard to those parts of it only, which consist in provisions, materials, and finished work : the other, which consists in money, and which serves only to circulate those three, must always be deducted. In order to put industry into motion, three things are requisite ; materials to work upon, tools to work with, and the wages or recompense for the sake of which the work is done. Money is neither a material to work upon, nor a tool to work with ; and though the wages of the workman are commonly paid to him in money, his real revenue, like that of all other men, consists, not in the money, but in the money's worth ; not in the metal pieces, but in what can be got for them.

The quantity of industry which any capital can employ, must, evidently, be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work. Money may be requisite for purchasing the materials and tools of the work, as well as the maintenance of the workmen. But the quantity of industry which the whole capital can employ, is certainly not equal both to the money which purchases, and to the materials, tools, and maintenance, which are purchased with it ; but only to one or other of those two values, and to the latter more properly than to the former.

When paper is substituted in the room of gold

and silver money, the quantity of the materials, tools, and maintenance, which the whole circulating capital can supply, may be increased by the whole value of gold and silver which used to be employed in purchasing them. The whole value of the great wheel of circulation and distribution, is added to the goods which are circulated and distributed by means of it. The operation, in some measure, resembles that of the undertaker of some great work, who, in consequence of some improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital, to the fund from which he furnishes materials and wages to his workmen.

What is the proportion which the circulating money of any country bears to the whole value of the annual produce circulated by means of it, it is, perhaps, impossible to determine. It has been computed by different authors at a fifth, at a tenth, at a twentieth, and at a thirtieth part of that value. But how small soever the proportion which the circulating money may bear to the whole value of the annual produce, as but a part, and frequently but a small part, of that produce, is ever destined for the maintenance of industry, it must always bear a very considerable proportion to that part. When, therefore, by the substitution of paper, the gold and silver necessary for circulation is reduced to, perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four fifths be added to the funds which are destined for the main-

tenance of industry, it must make a very considerable addition to the quantity of that industry, and, consequently, to the value of the annual produce of land and labour. -

An operation of this kind has, within these five-and-twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almost every considerable town, and even in some country villages. The effects of it have been precisely those above described. The business of the country is almost entirely carried on by means of the paper of those different banking companies, with which purchases and payments of all kinds are commonly made. Silver very seldom appears except in the change of a twenty shillings bank note, and gold still seldomer. But though the conduct of all those different companies has not been unexceptionable, and has accordingly required an act of parliament to regulate it; the country, notwithstanding, has evidently derived great benefit from their trade. I have heard it asserted, that the trade of the city of Glasgow doubled in about fifteen years after the first erection of the banks there; and that the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh, of which the one, called The Bank of Scotland, was established by act of parliament in 1695; the other, called The Royal Bank, by royal charter in 1727. Whether the trade, either of Scotland in general, or of the city of Glasgow in particular, has really increased in so great a proportion, during so short a

period, I do not pretend to know. If either of them has increased in this proportion, it seems to be an effect too great to be accounted for by the sole operation of this cause. That the trade and industry of Scotland, however, have increased very considerably during this period, and that the banks have contributed a good deal to this increase, cannot be doubted.

The value of the silver money which circulated in Scotland before the Union, in 1707, and which, immediately after it, was brought into the bank of Scotland, in order to be re-coined, amounted to 411,117*l.* 10*s.* 9*d.* sterling. No account has been got of the gold coin; but it appears from the ancient accounts of the mint of Scotland, that the value of the gold annually coined somewhat exceeded that of the silver*. There were a good many people too upon this occasion, who, from a diffidence of repayment, did not bring their silver into the bank of Scotland; and there was, besides, some English coin, which was not called in. The whole value of the gold and silver, therefore, which circulated in Scotland before the Union, cannot be estimated at less than a million sterling. It seems to have constituted almost the whole circulation of that country; for though the circulation of the bank of Scotland, which had then no rival, was considerable, it seems to have made but a very small part of the whole. In the present times the whole circulation of Scot-

* See Ruddiman's Preface to Anderson's *Diplomata*, &c. Scotiæ.—A.

land cannot be estimated at less than two millions, of which that part which consists in gold and silver, most probably, does not amount to half a million. But though the circulating gold and silver of Scotland have suffered so great a diminution during this period, its real riches and prosperity do not appear to have suffered any. Its agriculture, manufactures, and trade, on the contrary, the annual produce of its land and labour, have evidently been augmented.

It is chiefly by discounting bills of exchange, that is, by advancing money upon them before they are due, that the greater part of banks and bankers issue their promissory notes. They deduct always, upon whatever sum they advance, the legal interest till the bill shall become due. The payment of the bill, when it becomes due, replaces to the bank the value of what had been advanced, together with a clear profit of the interest. The banker who advances to the merchant whose bill he discounts, not gold and silver, but his own promissory notes, has the advantage of being able to discount to a greater amount by the whole value of his promissory notes, which he finds, by experience, are commonly in circulation. He is thereby enabled to make his clear gain of interest on so much a larger sum.

The commerce of Scotland, which at present is not very great, was still more inconsiderable when the two first banking companies were established; and those companies would have had but little trade, had they confined their business to the discounting of bills of exchange. They invented,

therefore, another method of issuing their promissory notes; by granting what they called cash accounts, that is, by giving credit to the extent of a certain sum (two or three thousand pounds, for example) to an individual who could procure two persons of undoubted credit and good landed estate to become surety for him, that whatever money should be advanced to him, within the sum for which the credit had been given, should be repaid upon demand, together with the legal interest. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the easy terms upon which the Scotch banking companies accept of repayment are, so far as I know, peculiar to them, and have, perhaps, been the principal cause, both of the great trade of those companies, and of the benefit which the country has received from it.

Whoever has a credit of this kind with one of those companies, and borrows a thousand pounds upon it, for example, may repay this sum piecemeal, by twenty and thirty pounds at a time, the company discounting a proportionable part of the interest of the great sum from the day on which each of those small sums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almost all men of business, find it convenient to keep such cash accounts with them, and are thereby interested to promote the trade of those companies, by readily receiving their notes in all payments, and by encouraging all those with whom they have any

influence to do the same. The banks, when their customers apply to them for money, generally advance it to them in their own promissory notes. These the merchants pay away to the manufacturers for goods, the manufacturers to the farmers for materials and provisions, the farmers to their landlords for rent, the landlords repay them to the merchants for the conveniencies and luxuries with which they supply them, and the merchants again return them to the banks in order to balance their cash accounts, or to replace what they may have borrowed of them ; and thus almost the whole money business of the country is transacted by means of them. Hence the great trade of those companies.

By means of those cash accounts every merchant can, without imprudence, carry on a greater trade than he otherwise could do. If there are two merchants, one in London, and the other in Edinburgh, who employ equal stocks in the same branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade, and give employment to a greater number of people, than the London merchant. The London merchant must always keep by him a considerable sum of money, either in his own coffers, or in those of his banker, who gives him no interest for it, in order to answer the demands continually coming upon him for payment of the goods which he purchases upon credit. Let the ordinary amount of this sum be supposed five hundred pounds. The value of the goods in his warehouse must always be less by five hundred

pounds than it would have been, had he not been obliged to keep such a sum unemployed. Let us suppose that he generally disposes of his whole stock upon hand, or of goods to the value of his whole stock upon hand, once in the year. By being obliged to keep so great a sum unemployed, he must sell in a year five hundred pounds worth less goods than he might otherwise have done. His annual profits must be less by all that he could have made by the sale of five hundred pounds worth more goods; and the number of people employed in preparing his goods for market, must be less by all those that five hundred pounds more stock could have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for answering such occasional demands. When they actually come upon him, he satisfies them from his cash account with the bank, and gradually replaces the sum borrowed with the money or paper which comes in from the occasional sales of his goods. With the same stock, therefore, he can, without imprudence, have at all times in his warehouse a larger quantity of goods than the London merchant; and can thereby both make a greater profit himself, and give constant employment to a greater number of industrious people who prepare those goods for the market. Hence the great benefit which the country has derived from this trade.

The facility of discounting bills of exchange, it may be thought, indeed, gives the English merchants a conveniency equivalent to the cash ac-

counts of the Scotch merchants. But the Scotch merchants, it must be remembered, can discount their bills of exchange as easily as the English merchants; and have, besides, the additional convenience of their cash accounts.

The whole paper money of every kind which can easily circulate in any country never can exceed the value of the gold and silver, of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money. If twenty shilling notes, for example, are the lowest paper money current in Scotland, the whole of that currency which can easily circulate there cannot exceed the sum of gold and silver which would be necessary for transacting the annual exchanges of twenty-shillings value and upwards usually transacted within that country. Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad nor be employed in the circulation of the country, it must immediately return upon the banks to be exchanged for gold and silver. Many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home, and as they could not send it abroad, they would immediately demand payment of it from the banks. When this superfluous paper was converted into gold and silver, they could easily find a use for it by sending it abroad; but they could find none while it remained in the shape of paper. There would immediately, therefore, be a run upon the banks to the

whole extent of this superfluous paper, and, if they showed any difficulty or backwardness in payment, to a much greater extent; the alarm, which this would occasion, necessarily increasing the run.

Over and above the expenses which are common to every branch of trade; such as the expense of house-rent, the wages of servants, clerks, accountants, &c.; the expenses peculiar to a bank consist chiefly in two articles: First, in the expense of keeping at all times in its coffers, for answering the occasional demands of the holders of its notes, a large sum of money, of which it loses the interest; and, secondly, in the expense of replenishing those coffers as fast as they are emptied by answering such occasional demands.

A banking company, which issues more paper than can be employed in the circulation of the country, and of which the excess is continually returning upon them for payment, ought to increase the quantity of gold and silver, which they keep at all times in their coffers, not only in proportion to this excessive increase of their circulation, but in a much greater proportion; their notes returning upon them much faster than in proportion to the excess of their quantity. Such a company, therefore, ought to increase the first article of their expense, not only in proportion to this forced increase of their business, but in a much greater proportion.

The coffers of such a company too, though they ought to be filled much fuller, yet must empty themselves much faster than if their business was

confined within more reasonable bounds, and must require, not only a more violent, but a more constant and uninterrupted exertion of expense in order to replenish them. The coin too, which is thus continually drawn in such large quantities from their coffers, cannot be employed in the circulation of the country. It comes in place of a paper which is over and above what can be employed in that circulation, and is, therefore, over and above what can be employed in it too. But as that coin will not be allowed to lie idle, it must, in one shape or another, be sent abroad, in order to find that profitable employment which it cannot find at home ; and this continual exportation of gold and silver, by enhancing the difficulty, must necessarily enhance still further the expense of the bank, in finding new gold and silver in order to replenish those coffers, which empty themselves so very rapidly. Such a company, therefore, must, in proportion to this forced increase of their business, increase the second article of their expense still more than the first.

Let us suppose that all the paper of a particular bank, which the circulation of the country can easily absorb and employ, amounts exactly to forty thousand pounds ; and that for answering occasional demands, this bank is obliged to keep at all times in its coffers ten thousand pounds in gold and silver. Should this bank attempt to circulate forty-four thousand pounds, the four thousand pounds which are over and above what the circulation can easily absorb and employ, will return upon it almost as

fast as they are issued. For answering occasional demands, therefore, this bank ought to keep at all times in its coffers, not eleven thousand pounds only, but fourteen thousand pounds. It will thus gain nothing by the interest of the four thousand pounds excessive circulation; and it will lose the whole expense of continually collecting four thousand pounds in gold and silver, which will be continually going out of its coffers as fast as they are brought into them.

Had every particular banking company always understood and attended to its own particular interest, the circulation never could have been overstocked with paper money. But every particular banking company has not always understood or attended to its own particular interest, and the circulation has frequently been overstocked with paper money.

By issuing too great a quantity of paper, of which the excess was continually returning, in order to be exchanged for gold and silver, the bank of England was for many years together obliged to coin gold to the extent of between eight hundred thousand pounds and a million a year; or, at an average, about eight hundred and fifty thousand pounds. For this great coinage the bank (in consequence of the worn and degraded state into which the gold coin had fallen a few years ago) was frequently obliged to purchase gold bullion at the high price of four pounds an ounce, which it soon after issued in coin at 3*l.* 17*s.* 10½*d.* an ounce, losing in this manner between two and a half and three per cent.

upon the coinage of so very large a sum. Though the bank therefore paid no seigniorage, though the government was properly at the expense of the coinage, this liberality of government did not prevent altogether the expense of the bank.

The Scotch banks, in consequence of an excess of the same kind, were all obliged to employ constantly agents at London to collect money for them, at an expense which was seldom below one and a half or two per cent. This money was sent down by the waggon, and insured by the carriers at an additional expense of three quarters per cent. or fifteen shillings on the hundred pounds. Those agents were not always able to replenish the coffers of their employers so fast as they were emptied. In this case the resource of the banks was, to draw upon their correspondents in London bills of exchange to the extent of the sum which they wanted. When those correspondents afterwards drew upon them for the payment of this sum, together with the interest and a commission, some of those banks, from the distress into which their excessive circulation had thrown them, had sometimes no other means of satisfying this draught but by drawing a second set of bills either upon the same, or upon some other correspondents in London; and the same sum, or rather bills for the same sum, would in this manner make sometimes more than two or three journeys: the debtor bank paying always the interest and commission upon the whole accumulated sum. Even those Scotch banks which never distinguished

themselves by their extreme imprudence, were sometimes obliged to employ this ruinous resource.

The gold coin which was paid out either by the bank of England, or by the Scotch banks, in exchange for that part of their paper which was over and above what could be employed in the circulation of the country, being likewise over and above what could be employed in that circulation, was sometimes sent abroad in the shape of coin, sometimes melted down and sent abroad in the shape of bullion, and sometimes melted down and sold to the bank of England at the high price of four pounds six-ounce. It was the newest, the heaviest, and the best pieces only which were carefully picked out of the whole coin, and either sent abroad or melted down. At home, and while they remain in the shape of coin, those heavy pieces were of no more value than the light: but they were of more value abroad, or when melted down into bullion, at home. The bank of England, notwithstanding their great annual coinage, found, to their astonishment, that there was every year the same scarcity of coin as there had been the year before; and that notwithstanding the great quantity of good and new coin which was every year issued from the bank, the state of the coin, instead of growing better and better, became every year worse and worse. Every year they found themselves under the necessity of coining nearly the same quantity of gold as they had coined the year before, and from the continual rise in the price of gold bullion, in consequence of the continual wear-

ing and clipping of the coin, the expense of this great annual coinage became every year greater and greater. The bank of England, it is to be observed, by supplying its own coffers with coin, is indirectly obliged to supply the whole kingdom, into which coin is continually flowing from those coffers in a great variety of ways. Whatever coin, therefore, was wanted to support this excessive circulation both of Scotch and English paper money, whatever vacancies this excessive circulation occasioned in the necessary coin of the kingdom, the bank of England was obliged to supply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention. But the bank of England paid very dearly, not only for its own imprudence, but for the much greater imprudence of almost all the Scotch banks.

The over-trading of some bold projectors in both parts of the United Kingdom, was the original cause of this excessive circulation of paper money.

What a bank can with propriety advance to a merchant or undertaker of any kind, is not either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only, which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver, which would necessarily circulate in the country if there was no paper money; it can never exceed the

quantity which the circulation of the country can easily absorb and employ.

When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor ; it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with the interest. The coffers of the bank, so far as its dealings are confined to such customers, resemble a water pond, from which, though a stream is continually running out, yet another is continually running in, fully equal to that which runs out ; so that, without any further care or attention, the pond keeps always equally, or very near equally full. Little or no expense can ever be necessary for replenishing the coffers of such a bank.

A merchant, without over-trading, may frequently have occasion for a sum of ready money, even when he has no bills to discount. When a bank, besides discounting his bills, advances him likewise upon such occasions, such sums upon his cash account, and accepts of a piece-meal repayment as the money comes in from the occasional sale of his goods, upon the easy terms of the banking companies of Scotland ; it dispenses him entirely from the necessity of keeping any part of his stock by him unemployed and in ready money for answering occa-

sional demands. When such demands actually come upon him, he can answer them sufficiently from his cash account. The bank, however, in dealing with such customers, ought to observe with great attention, whether in the course of some short period (of four, five, six, or eight months, for example) the sum of the repayments which it commonly receives from them, is, or is not, fully equal to that of the advances which it commonly makes to them. If, within the course of such short periods, the sum of the repayments from certain customers is, upon most occasions, fully equal to that of the advances, it may safely continue to deal with such customers. Though the stream which is in this case continually running out from its coffers may be very large, that which is continually running into them must be at least equally large; so that, without any further care or attention, those coffers are likely to be always equally or very near equally full; and scarce ever to require any extraordinary expense to replenish them. If, on the contrary, the sum of the repayments from certain other customers falls commonly very much short of the advances which it makes to them, it cannot with any safety continue to deal with such customers, at least if they continue to deal with it in this manner. The stream which is in this case continually running out from its coffers is necessarily much larger than that which is continually running in; so that, unless they are replenished by some great and continual effort of expense, those coffers must soon be exhausted altogether.

The banking companies of Scotland, accordingly, were for a long time very careful to require frequent and regular repayments from all their customers, and did not care to deal with any person, whatever might be his fortune or credit, who did not make, what they called, frequent and regular operations with them. By this attention, besides saving almost entirely the extraordinary expense of replenishing their coffers, they gained two other very considerable advantages.

First, by this attention they were enabled to make some tolerable judgment concerning the thriving or declining circumstances of their debtors, without being obliged to look out for any other evidence besides what their own books afforded them; men being for the most part either regular or irregular in their repayments, according as their circumstances are either thriving or declining. A private man who lends out his money to perhaps half a dozen or a dozen of debtors, may, either by himself or his agents, observe and inquire both constantly and carefully into the conduct and situation of each of them. But a banking company which lends money to perhaps five hundred different people, and of which the attention is continually occupied by objects of a very different kind, can have no regular information concerning the conduct and circumstances of the greater part of its debtors beyond what its own books afford it. In requiring frequent and regular repayments from all their customers, the banking companies of Scotland had probably this advantage in view.

Secondly, by this attention they secured themselves from the possibility of issuing more paper money than what the circulation of the country could easily absorb and employ. When they observed, that within moderate periods of time the repayments of a particular customer were upon most occasions fully equal to the advances which they had made to him, they might be assured that the paper money which they had advanced to him, had not at any time exceeded the quantity of gold and silver which he would otherwise have been obliged to keep by him for answering occasional demands; and that, consequently, the paper money, which they had circulated by his means, had not at any time exceeded the quantity of gold and silver which would have circulated in the country, had there been no paper money. The frequency, regularity, and amount of his repayments would sufficiently demonstrate that the amount of their advances had at no time exceeded that part of his capital which he would otherwise have been obliged to keep by him unemployed and in ready money for answering occasional demands; that is, for the purpose of keeping the rest of his capital in constant employment. It is this part of his capital only which, within moderate periods of time, is continually returning to every dealer in the shape of money, whether paper or coin, and continually going from him in the same shape. If the advances of the bank had commonly exceeded this part of his capital, the ordinary amount of his repayments

could not, within moderate periods of time, have equalled the ordinary amount of its advances. The stream which, by means of his dealings, was continually running into the coffers of the bank, could not have been equal to the stream which, by means of the same dealings, was continually running out. The advances of the bank paper, by exceeding the quantity of gold and silver which, had there been no such advances, he would have been obliged to keep by him for answering occasional demands, might soon come to exceed the whole quantity of gold and silver which (the commerce being supposed the same) would have circulated in the country, had there been no paper money; and consequently to exceed the quantity which the circulation of the country could easily absorb and employ; and the excess of this paper money would immediately have returned upon the bank in order to be exchanged for gold and silver. This second advantage, though equally real, was not perhaps so well understood by all the different banking companies of Scotland as the first.

When, partly by the conveniency of discounting bills, and partly by that of cash accounts; the creditable traders of any country can be dispensed from the necessity of keeping any part of their stock by them unemployed and in ready money for answering occasional demands, they can reasonably expect no farther assistance from banks and bankers, who, when they have gone thus far, cannot, consistently with their own interest and safety, go farther. A

bank cannot, consistently with its own interest, advance to a trader the whole or even the greater part of the circulating capital with which he trades ; because, though that capital is continually returning to him in the shape of money, and going from him in the same shape, yet the whole of the returns is too distant from the whole of the outgoings, and the sum of his repayments could not equal the sum of its advances within such moderate periods of time as suit the conveniency of a bank. Still less could a bank afford to advance him any considerable part of his fixed capital ; of the capital which the undertaker of an iron forge, for example, employs in erecting his forge and smelting-house, his work-houses and warehouses, the dwelling-houses of his workmen, &c. ; of the capital which the undertaker of a mine employs in sinking his shafts, in erecting engines for drawing out the water, in making roads and waggon-ways, &c. ; of the capital which the person who undertakes to improve land employs in clearing, draining, enclosing, manuring and ploughing waste and uncultivated fields, in building farm-houses, with all their necessary appendages of stables, granaries, &c. The returns of the fixed capital are, in almost all cases, much slower than those of the circulating capital ; and such expenses, even when laid out with the greatest prudence and judgment, very seldom return to the undertaker till after a period of many years, a period by far too distant to suit the conveniency of a bank. Traders and other undertakers may, no doubt, with great

propriety, carry on a very considerable part of their projects with borrowed money. In justice to their creditors, however, their own capital ought, in this case, to be sufficient to ensure, if I may say so, the capital of those creditors ; or to render it extremely improbable that those creditors should incur any loss, even though the success of the project should fall very much short of the expectation of the projectors. Even with this precaution too, the money which is borrowed, and which it is meant should not be repaid till after a period of several years, ought not to be borrowed of a bank, but ought to be borrowed upon bond or mortgage, of such private people as propose to live upon the interest of their money, without taking the trouble themselves to employ the capital ; and who are upon that account willing to lend that capital to such people of good credit as are likely to keep it for several years. A bank, indeed, which lends its money without the expense of stamp paper, or of attorneys' fees for drawing bonds and mortgages, and which accepts of repayment upon the easy terms of the banking companies of Scotland ; would, no doubt, be a very convenient creditor to such traders and undertakers. But such traders and undertakers would, surely, be most inconvenient debtors to such a bank.

It is now more than five-and-twenty years since the paper money issued by the different banking companies of Scotland was fully equal, or rather was somewhat more than fully equal, to what the circulation of the country could easily absorb and

employ. Those companies, therefore, had so long ago given all the assistance to the traders and other undertakers of Scotland which it is possible for banks and bankers, consistently with their own interest, to give. They had even done somewhat more. They had overtraded a little, and had brought upon themselves that loss, or at least that diminution of profit, which in this particular business never fails to attend the smallest degree of over-trading. Those traders and other undertakers, having got so much assistance from banks and bankers, wished to get still more. The banks, they seem to have thought, could extend their credits to whatever sum might be wanted, without incurring any other expense besides that of a few reams of paper. They complained of the contracted views and dastardly spirit of the directors of those banks, which did not, they said, extend their credits in proportion to the extension of the trade of the country; meaning, no doubt, by the extension of that trade the extension of their own projects beyond what they could carry on, either with their own capital, or with what they had credit to borrow of private people in the usual way of bond or mortgage. The banks, they seem to have thought, were in honour bound to supply the deficiency, and to provide them with all the capital which they wanted to trade with. The banks, however, were of a different opinion, and upon their refusing to extend their credits, some of those traders had recourse to an expedient which, for a time, served their purpose, though at a much

greater expense, yet as effectually as the utmost extension of bank credits could have done. This expedient was no other than the well-known shift of drawing and re-drawing; the shift to which unfortunate traders have sometimes recourse when they are upon the brink of bankruptcy. The practice of raising money in this manner had been long known in England, and during the course of the late war, when the high profits of trade afforded a great temptation to over-trading, is said to have been carried on to a very great extent. From England it was brought into Scotland, where, in proportion to the very limited commerce, and to the very moderate capital of the country, it was soon carried on to a much greater extent than it had ever been in England.

The practice of drawing and re-drawing is so well known to all men of business, that it may perhaps be thought unnecessary to give an account of it. But as this book may come into the hands of many people who are not men of business, and as the effects of this practice upon the banking trade are not perhaps generally understood even by men of business themselves, I shall endeavour to explain it as distinctly as I can.

The customs of merchants, which were established when the barbarous laws of Europe did not enforce the performance of their contracts, and which, during the course of the two last centuries, have been adopted into the laws of all European nations, have given such extraordinary privileges to bills of

exchange, that money is more readily advanced upon them, than upon any other species of obligation ; especially when they are made payable within so short a period as two or three months after their date. If, when the bill becomes due, the acceptor does not pay it as soon as it is presented, he becomes from that moment a bankrupt. The bill is protested, and returns upon the drawer, who, if he does not immediately pay it, becomes likewise a bankrupt. If, before it came to the person who presents it to the acceptor for payment, it had passed through the hands of several other persons, who had successively advanced to one another the contents of it either in money or goods, and who to express that each of them had in his turn received those contents, had all of them in their order endorsed, that is, written their names upon the back of the bill ; each endorser becomes in his turn liable to the owner of the bill for those contents, and, if he fails to pay, he becomes too from that moment a bankrupt. Though the drawer, acceptor, and endorsers of the bill should, all of them, be persons of doubtful credit ; yet still the shortness of the date gives some security to the owner of the bill. Though all of them may be very likely to become bankrupts ; it is a chance if they all become so in so short a time. The house is crazy, says a weary traveller to himself, and will not stand very long ; but it is a chance if it falls to-night, and I will venture, therefore, to sleep in it to-night.

The trader A in Edinburgh, we shall suppose,

draws a bill upon B in London, payable two months after date. In reality B in London owes nothing to A in Edinburgh; but he agrees to accept of A's bill, upon condition that before the term of payment he shall redraw upon A in Edinburgh for the same sum, together with the interest and a commission, another bill, payable likewise two months after date. B accordingly, before the expiration of the first two months, redraws this bill upon A in Edinburgh; who again, before the expiration of the second two months, draws a second bill upon B in London, payable likewise two months after date; and before the expiration of the third two months, B in London re draws upon A in Edinburgh another bill, payable also two months after date. This practice has sometimes gone on, not only for several months, but for several years together, the bill always returning upon A in Edinburgh, with the accumulated interest and commission of all the former bills. The interest was five per cent. in the year, and the commission was never less than one half per cent. on each draught. This commission being repeated more than six times in the year, whatever money A might raise by this expedient must necessarily have cost him something more than eight per cent. in the year, and sometimes a great deal more; when either the price of the commission happened to rise, or when he was obliged to pay compound interest upon the interest and commission of former bills. This practice was called raising money by circulation.

In a country where the ordinary profits of stock in the greater part of mercantile projects are supposed to run between six and ten per cent. it must have been a very fortunate speculation of which the returns could not only repay the enormous expense at which the money was thus borrowed for carrying it on ; but afford, besides, a good surplus profit to the projector. Many vast and extensive projects, however, were undertaken, and for several years carried on, without any other fund to support them besides what was raised at this enormous expense. The projectors, no doubt, had in their golden dreams the most distinct vision of this great profit. Upon their awaking, however, either at the end of their projects, or when they were no longer able to carry them on, they very seldom, I believe, had the good fortune to find it.*

* The method described in the text was by no means either the most common or the most expensive one in which those adventurers sometimes raised money by circulation. It frequently happened that A in Edinburgh would enable B in London to pay the first bill of exchange by drawing, a few days before it became due, a second bill at three months date upon the same B in London. This bill, being payable to his own order, A sold in Edinburgh at par ; and with its contents purchased bills upon London payable at sight to the order of B, to whom he sent them by the post. Towards the end of the late war, the exchange between Edinburgh and London was frequently three per cent. against Edinburgh, and those bills at sight must frequently have cost A that premium. This transaction therefore being repeated at least four times in the year, and being loaded with a commission of at least one half per cent. upon each repetition, must at that period have cost

The bills which A in Edinburgh drew upon B in London, he regularly discounted two months before they were due with some bank or banker in Edinburgh; and the bills which B in London redrew upon A in Edinburgh, he as regularly discounted either with the bank of England, or with some other bankers in London. Whatever was advanced upon such circulating bills, was, in Edinburgh, advanced in the paper of the Scotch banks, and in London, when they were discounted at the

A at least fourteen per cent. in the year. At other times A would enable B to discharge the first bill of exchange by drawing, a few days before it became due, a second bill at two months' date; not upon B, but upon some third person, C, for example, in London. This other bill was made payable to the order of B, who, upon its being accepted by C, discounted it with some banker in London; and A enabled C to discharge it by drawing, a few days before it became due, a third bill, likewise at two months' date, sometimes upon his first correspondent B, and sometimes upon some fourth or fifth person, D or E, for example. This third bill was made payable to the order of C; who, as soon as it was accepted, discounted it in the same manner with some banker in London. Such operations being repeated at least six times in the year, and being loaded with a commission of at least one-half per cent, upon each repetition, together with the legal interest of five per cent., this method of raising money, in the same manner as that described in the text, must have cost A something more than eight per cent. By saving, however, the exchange between Edinburgh and London, it was less expensive than that mentioned in the foregoing part of this note; but then it required an established credit with more houses than one in London, an advantage which many of these adventurers could not always find it easy to procure.—A.

bank of England, in the paper of that bank. Though the bills upon which this paper had been advanced, were all of them repaid in their turn as soon as they became due ; yet the value which had been really advanced upon the first bill, was never really returned to the banks which advanced it ; because, before each bill became due, another bill was always drawn to somewhat a greater amount than the bill which was soon to be paid ; and the discounting of this other bill was essentially necessary towards the payment of that which was soon to be due. This payment, therefore, was altogether fictitious. The stream, which, by means of those circulating bills of exchange, had once been made to run out from the coffers of the banks, was never replaced by any stream which really run into them.

The paper which was issued upon those circulating bills of exchange, amounted, upon many occasions, to the whole fund destined for carrying on some vast and extensive project of agriculture, commerce, or manufactures ; and not merely to that part of it which, had there been no paper money, the projector would have been obliged to keep by him, unemployed and in ready money for answering occasional demands. The greater part of this paper was, consequently, over and above the value of the gold and silver which would have circulated in the country, had there been no paper money. It was over and above, therefore, what the circulation of the country could easily absorb and employ, and upon that account immediately returned upon the banks in

order to be exchanged for gold and silver, which they were to find as they could. It was a capital which those projectors had very artfully contrived to draw from those banks, not only without their knowledge or deliberate consent, but for some time, perhaps, without their having the most distant suspicion that they had really advanced it.

When two people, who are continually drawing and re-drawing upon one another, discount their bills always with the same banker, he must immediately discover what they are about, and see clearly that they are trading, not with any capital of their own, but with the capital which he advances to them. But this discovery is not altogether so easy when they discount their bills sometimes with one banker, and sometimes with another, and when the same two persons do not constantly draw and re-draw upon one another, but occasionally run the round of a great circle of projectors, who find it for their interest to assist one another in this method of raising money, and to render it, upon that account, as difficult as possible to distinguish between a real and a fictitious bill of exchange ; between a bill drawn by a real creditor upon a real debtor, and a bill for which there was properly no real creditor but the bank which discounted it ; nor any real debtor but the projector who made use of the money. When a banker had even made this discovery, he might sometimes make it too late, and might find that he had already discounted the bills of those projectors to so great an extent, that, by refusing to

discount any more, he would necessarily make them all bankrupts, and thus, by ruining them, might perhaps ruin himself. For his own interest and safety, therefore, he might find it necessary, in this very perilous situation, to go on for some time, endeavouring, however, to withdraw gradually, and upon that account making every day greater and greater difficulties about discounting, in order to force those projectors by degrees to have recourse, either to other bankers, or to other methods of raising money ; so as that he himself might, as soon as possible, get out of the circle. The difficulties, accordingly, which the bank of England, which the principal bankers in London, and which even the more prudent Scotch banks began, after a certain time, and when all of them had already gone too far, to make about discounting, not only alarmed, but enraged in the highest degree those projectors. Their own distress, of which this prudent and necessary reserve of the banks was, no doubt, the immediate occasion, they called the distress of the country ; and this distress of the country, they said, was altogether owing to the ignorance, pusillanimity, and bad conduct of the banks, which did not give a sufficiently liberal aid to the spirited undertakings of those who exerted themselves in order to beautify, improve, and enrich the country. It was the duty of the banks, they seemed to think, to lend for as long a time, and to as great an extent as they might wish to borrow. The banks, however, by refusing in this manner to give more credit to those, to whom

they had already given a great deal too much, took the only method by which it was now possible to save either their own credit, or the public credit of the country.

In the midst of this clamour and distress, a new bank was established in Scotland for the express purpose of relieving the distress of the country. The design was generous; but the execution was imprudent, and the nature and causes of the distress which it meant to relieve, were not, perhaps, well understood. This bank was more liberal than any other had ever been, both in granting cash accounts, and in discounting bills of exchange. With regard to the latter, it seems to have made scarce any distinction between real and circulating bills, but to have discounted all equally. It was the avowed principle of this bank to advance, upon any reasonable security, the whole capital which was to be employed in those improvements of which the returns are the most slow and distant, such as the improvements of land. To promote such improvements was even said to be the chief of the public spirited purposes for which it was instituted. By its liberality in granting cash accounts, and in discounting bills of exchange, it, no doubt, issued great quantities of its bank notes. But those bank notes being, the greater part of them, over and above what the circulation of the country could easily absorb and employ, returned upon it, in order to be exchanged for gold and silver, as fast as they were issued. Its coffers were never well filled. The capital which had been subscribed

to this bank at two different subscriptions amounted to one hundred and sixty thousand pounds, of which eighty per cent. only was paid up. This sum ought to have been paid in at several different instalments. A great part of the proprietors, when they paid in their first instalment, opened a cash account with the bank; and the directors, thinking themselves obliged to treat their own proprietors with the same liberality with which they treated all other men, allowed many of them to borrow upon this cash account what they paid in upon all their subsequent instalments. Such payments, therefore, only put into one coffer, what had the moment before been taken out of another. But had the coffers of this bank been filled ever so well, its excessive circulation must have emptied them faster than they could have been replenished by any other expedient but the ruinous one of drawing upon London, and when the bill became due, paying it, together with interest and commission, by another draught upon the same place. Its coffers having been filled so very ill, it is said to have been driven to this resource within a very few months after it began to do business. The estates of the proprietors of this bank were worth several millions, and by their subscription to the original bond or contract of the bank, were really pledged for answering all its engagements. By means of the great credit which so great a pledge necessarily gave it, it was, notwithstanding its too liberal conduct, enabled to carry on business for more than two years. When it was obliged to stop,

it had in the circulation about two hundred thousand pounds in bank notes. In order to support the circulation of those notes, which were continually returning upon it as fast as they were issued, it had been constantly in the practice of drawing bills of exchange upon London, of which the number and value were continually increasing, and, when it stopped, amounted to upwards of six hundred thousand pounds. This bank, therefore, had, in little more than the course of two years, advanced to different people upwards of eight hundred thousand pounds at five per cent. Upon the two hundred thousand pounds which it circulated in bank notes, this five per cent. might, perhaps, be considered as clear gain, without any other deduction besides the expense of management. But upon upwards of six hundred thousand pounds, for which it was continually drawing bills of exchange upon London, it was paying, in the way of interest and commission, upwards of eight per cent., and was consequently losing more than three per cent. upon more than three-fourths of all its dealings.

The operations of this bank seem to have produced effects quite opposite to those which were intended by the particular persons who planned and directed it. They seem to have intended to support the spirited undertakings, for as such they considered them, which were at that time carrying on in different parts of the country; and at the same time, by drawing the whole banking business to themselves, to supplant all the other Scotch banks; par-

ticularly those established at Edinburgh, whose backwardness in discounting bills of exchange had given some offence. This bank, no doubt, gave some temporary relief to those projectors, and enabled them to carry on their projects for about two years longer than they could otherwise have done. But it thereby only enabled them to get so much deeper into debt, so that when ruin came, it fell so much the heavier both upon them and upon their creditors. The operations of this bank, therefore, instead of relieving, in reality aggravated in the long-run the distress which those projectors had brought both upon themselves and upon their country. It would have been much better for themselves, their creditors and their country, had the greater part of them been obliged to stop two years sooner than they actually did. The temporary relief, however, which this bank afforded to those projectors, proved a real and permanent relief to the other Scotch banks. All the dealers in circulating bills of exchange, which those other banks had become so backward in discounting, had recourse to this new bank, where they were received with open arms. Those other banks, therefore, were enabled to get very easily out of that fatal circle, from which they could not otherwise have disengaged themselves without incurring a considerable loss, and perhaps too even some degree of discredit.

In the long-run, therefore, the operations of this bank increased the real distress of the country which it meant to relieve; and effectually relieved from a

very great distress those rivals whom it meant to supplant.

At the first setting out of this bank, it was the opinion of some people, that how fast soever its coffers might be emptied, it might easily replenish them by raising money upon the securities of those to whom it had advanced its paper. Experience, I believe, soon convinced them that this method of raising money was by much too slow to answer their purpose; and that coffers which originally were so ill filled, and which emptied themselves so very fast, could be replenished by no other expedient but the ruinous one of drawing bills upon London, and when they became due, paying them by other draughts upon the same place with accumulated interest and commission. But though they had been able by this method to raise money as fast as they wanted it; yet, instead of making a profit, they must have suffered a loss by every such operation; so that in the long-run they must have ruined themselves as a mercantile company, though, perhaps, not so soon as by the more expensive practice of drawing and re-drawing. They could still have made nothing by the interest of the paper, which being over and above what the circulation of the country could absorb and employ, returned upon them, in order to be exchanged for gold and silver, as fast as they issued it; and for the payment of which they were themselves continually obliged to borrow money. On the contrary, the whole expense of this borrowing, of employing agents to look out for people who had

money to lend, of negotiating with those people, and of drawing the proper bond or assignment, must have fallen upon them, and have been so much clear loss upon the balance of their accounts. The project of replenishing their coffers in this manner may be compared to that of a man who had a water-pond from which a stream was continually running out, and into which no stream was continually running, but who proposed to keep it always equally full by employing a number of people to go continually with buckets to a well at some miles distance in order to bring water to replenish it.

But though this operation had proved, not only practicable, but profitable to the bank as a mercantile company; yet the country could have derived no benefit from it; but, on the contrary, must have suffered a very considerable loss by it. This operation could not augment in the smallest degree the quantity of money to be lent. It could only have erected this bank into a sort of general loan office for the whole country. Those who wanted to borrow, must have applied to this bank, instead of applying to the private persons who had lent it their money. But a bank which lends money, perhaps, to five hundred different people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors, than a private person who lends out his money among a few people whom he knows, and in whose sober and frugal conduct he thinks he has good reason to confide. The debtors of such a

bank, as that whose conduct I have been giving some account of, were likely, the greater part of them, to be chimerical projectors, the drawers and re-drawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the assistance that could be given them, they would probably never be able to complete, and which, if they should be completed, would never repay the expense which they had really cost, would never afford a fund capable of maintaining a quantity of labour equal to that which had been employed about them. The sober and frugal debtors of private persons, on the contrary, would be more likely to employ money borrowed in sober undertakings which were proportioned to their capitals, and which, though they might have less of the grand and the marvellous, would have more of the solid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labour than that which had been employed about them. The success of this operation, therefore, without increasing in the smallest degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

That the industry of Scotland languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which he seems to have imagined

might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland; when he first proposed his project, did not think proper to adopt it. It was afterwards adopted, with some variations, by the Duke of Orleans, at that time regent of France. The idea of the possibility of multiplying paper money to almost any extent, was the real foundation of what is called the Mississippi scheme, the most extravagant project both of banking and stock-jobbing that, perhaps, the world ever saw. The different operations of this scheme are explained so fully, so clearly, and with so much order and distinctness, by Mr. Du Verney, in his *Examination of the Political Reflections upon Commerce and Finances of Mr. Du Tot*, that I shall not give any account of them. The principles upon which it was founded are explained by Mr. Law himself, in a discourse concerning money and trade, which he published in Scotland when he first proposed his project. The splendid, but visionary ideas which are set forth in that and some other works upon the same principles, still continue to make an impression upon many people, and have, perhaps, in part, contributed to that excess of banking, which has of late been complained of both in Scotland and in other places.

The bank of England is the greatest bank of circulation in Europe. It was incorporated, in pursuance of an act of parliament, by a charter under the great seal, dated the 27th of July, 1694. It at

that time advanced to government the sum of one million two hundred thousand pounds, for an annuity of one hundred thousand pounds: or for 96,000*l.* a year interest, at the rate of eight per cent., and 4,000*l.* a year for the expense of the management. The credit of the new government, established by the Revolution, we may believe, must have been very low, when it was obliged to borrow at so high an interest.

In 1697, the bank was allowed to enlarge its capital stock by an ingraftment of 1,001,171*l.* 10*s.* Its whole capital stock, therefore, amounted at this time to 2,201,171*l.* 10*s.* This ingraftment is said to have been for the support of public credit. In 1696, tallies had been at forty, and fifty, and sixty per cent. discount, and bank notes at twenty per cent*. During the great recoinage of the silver, which was going on at this time, the bank had thought proper to discontinue the payment of its notes, which necessarily occasioned their discredit.

In pursuance of the 7th Anne, c. vii. the bank advanced and paid into the exchequer, the sum of 400,000*l.*; making in all the sum of 1,600,000*l.* which it had advanced upon its original annuity of 96,000*l.* interest and 4000*l.* for expense of management. In 1708, therefore, the credit of government was as good as that of private persons, since it could borrow at six per cent. interest, the common legal and market rate of those times. In pursuance

* James Postlethwaite's History of the public Revenue, page 301.—A.

of the same act, the bank cancelled exchequer bills to the amount of 1,775,027*l.* 17*s.* 10½*d.* at six per cent. interest, and was at the same time allowed to take in subscriptions for doubling its capital. In 1708, therefore, the capital of the bank amounted to 4,402,343*l.*; and it had advanced to government the sum of 3,375,027*l.* 17*s.* 10½*d.*

By a call of fifteen per cent. in 1709, there was paid in and made stock 656,204*l.* 1*s.* 9*d.*; and by another of ten per cent. in 1710, 501,448*l.* 12*s.* 11*d.* In consequence of those two calls, therefore, the bank capital amounted to 5,559,995*l.* 14*s.* 8*d.*

In pursuance of the 3rd George I. c. 8. the bank delivered up two millions of exchequer bills to be cancelled. It had at this time, therefore, advanced to government 5,375,027*l.* 17*s.* 10*d.* In pursuance of the 8th George I. c. 21, the bank purchased of the South Sea Company, stock to the amount of 4,000,000*l.*; and in 1722, in consequence of the subscriptions which it had taken in for enabling it to make this purchase, its capital stock was increased by 3,400,000*l.* At this time, therefore, the bank had advanced to the public 9,375,027*l.* 17*s.* 10½*d.*; and its capital stock amounted only to 8,959,995*l.* 14*s.* 8*d.* It was upon this occasion that the sum which the bank had advanced to the public, and for which it received interest, began first to exceed its capital stock, or the sum for which it paid a dividend to the proprietors of bank stock; or, in other words, that the bank began to have an undivided capital, over and above its divided one. It

has continued to have an undivided capital of the same kind ever since. In 1746, the bank had, upon different occasions, advanced to the public 11,686,800*l.*, and its divided capital had been raised by different calls and subscriptions to 10,780,000*l.* The state of those two sums has continued to be the same ever since. In pursuance of the 4th. of George III. c. 25, the bank agreed to pay to government for the renewal of its charter 110,000*l.* without interest or repayment. This sum, therefore, did not increase either of those two other sums.

The dividend of the bank has varied according to the variations in the rate of the interest which it has, at different times, received for the money it had advanced to the public, as well as according to other circumstances. This rate of interest has gradually been reduced from eight to three per cent. For some years past the bank dividend has been at five and a half per cent.

The stability of the bank of England is equal to that of the British government. All that it has advanced to the public must be lost before its creditors can sustain any loss. No other banking company in England can be established by act of parliament, or can consist of more than six members. It acts, not only as an ordinary bank, but as a great engine of state. It receives and pays the greater part of the annuities which are due to the creditors of the public, it circulates exchequer bills, and it advances to government the annual amount of the land and malt taxes, which are frequently not paid up till

some years thereafter. In those different operations, its duty to the public may sometimes have obliged it, without any fault of its directors, to overstock the circulation with paper money. It likewise discounts merchants' bills, and has, upon several different occasions, supported the credit of the principal houses, not only of England, but of Hamburgh and Holland. Upon one occasion, in 1763, it is said to have advanced for this purpose, in one week, about 1,600,000*l.*; a great part of it in bullion. I do not, however, pretend to warrant either the greatness of the sum, or the shortness of the time. Upon other occasions, this great company has been reduced to the necessity of paying in sixpences.

It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country. That part of his capital which a dealer is obliged to keep by him unemployed, and in ready money for answering occasional demands, is so much dead stock, which, so long as it remains in this situation, produces nothing either to him or to his country. The judicious operations of banking enable him to convert this dead stock into active and productive stock; into materials to work upon, into tools to work with, and into provisions and subsistence to work for; into stock which produces something both to himself and to his country. The gold and silver money

which circulates in any country, and by means of which the produce of its land and labour is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock. It is a very valuable part of the capital of the country, which produces nothing to the country. The judicious operations of banking, by substituting paper in the room of a great part of this gold and silver, enable the country to convert a great part of this dead stock into active and productive stock; into stock which produces something to the country. The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The judicious operations of banking, by providing, if I may be allowed so violent a metaphor, a sort of waggon-way through the air, enable the country to convert, as it were, a great part of its highways into good pastures and cornfields, and thereby to increase very considerably the annual produce of its land and labour. The commerce and industry of the country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Dædalian wings of paper money, as when they travel about upon the solid ground of gold and silver. Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this

paper money, they are liable to several others from which no prudence or skill of those conductors can guard them.

An unsuccessful war, for example, in which the enemy got possession of the capital, and consequently of that treasure which supported the credit of the paper money, would occasion a much greater confusion in a country where the whole circulation was carried on by paper, than in one where the greater part of it was carried on by gold and silver. The usual instrument of commerce having lost its value, no exchanges could be made but either by barter or upon credit. All taxes having been usually paid in paper money, the prince would not have wherewithal either to pay his troops, or to furnish his magazines; and the state of the country would be much more irretrievable than if the greater part of its circulation had consisted in gold and silver. A prince, anxious to maintain his dominions at all times in the state in which he can most easily defend them, ought, upon this account, to guard, not only against that excessive multiplication of paper money which ruins the very banks which issue it; but even against that multiplication of it, which enables them to fill the greater part of the circulation of the country with it.

The circulation of every country may be considered as divided into two different branches; the circulation of the dealers with one another, and the circulation between the dealers and the consumers. Though the same pieces of money, whether paper

or metal, may be employed sometimes in the one circulation and sometimes in the other; yet as both are constantly going on at the same time, each requires a certain stock of money of one kind or another, to carry it on. The value of the goods circulated between the different dealers, never can exceed the value of those circulated between the dealers and the consumers; whatever is bought by the dealers, being ultimately destined to be sold to the consumers. The circulation between the dealers, as it is carried on by wholesale, requires generally a pretty large sum for every particular transaction. That between the dealers and the consumers, on the contrary, as it is generally carried on by retail, frequently requires but very small ones, a shilling, or even a halfpenny, being often sufficient. But small sums circulate much faster than large ones. A shilling changes masters more frequently than a guinea, and a halfpenny more frequently than a shilling. Though the annual purchases of all the consumers, therefore, are at least equal in value to those of all the dealers, they can generally be transacted with a much smaller quantity of money; the same pieces, by a more rapid circulation, serving as the instrument of many more purchases of the one kind than of the other.

Paper money may be so regulated, as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and the consumers. Where no bank notes are circulated

under ten pounds value, as in London, paper money, confines itself very much to the circulation between the dealers. When a ten pound bank note comes into the hands of a consumer, he is generally obliged to change it at the first shop where he has occasion to purchase five shillings' worth of goods; so that it often returns into the hands of a dealer, before the consumer hath spent the fortieth part of the money. Where bank notes are issued for so small sums as twenty shillings, as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the act of parliament which put a stop to the circulation of ten and five shilling notes, it filled a still greater part of that circulation. In the currencies of North America, paper was commonly issued for so small a sum as a shilling, and filled almost the whole of that circulation. In some paper currencies of Yorkshire, it was issued even for so small a sum as a sixpence.

Where the issuing of bank notes for such very small sums is allowed and commonly practised, many mean people are both enabled and encouraged to become bankers. A person whose promissory note for five pounds, or even for twenty shillings, would be rejected by every body, will get it to be received without scruple when it is issued for so small a sum as a sixpence. But the frequent bankruptcies to which such beggarly bankers must be liable, may occasion a very considerable inconveni-

ency, and sometimes even a very great calamity, to many poor people who had received their notes in payment.

It were better, perhaps, that no bank notes were issued in any part of the kingdom for a smaller sum than five pounds. Paper money would then, probably, confine itself, in every part of the kingdom, to the circulation between the different dealers, as much as it does at present in London, where no bank notes are issued under ten pounds value ; five pounds being, in most parts of the kingdom, a sum which, though it will purchase, perhaps, little more than half the quantity of goods, is as much considered, and is as seldom spent all at once, as ten pounds are amidst the profuse expense of London.

Where paper money, it is to be observed, is pretty much confined to the circulation between dealers and dealers, as at London, there is always plenty of gold and silver. Where it extends itself to a considerable part of the circulation between dealers and consumers, as in Scotland, and still more in North America, it banishes gold and silver almost entirely from the country ; almost all the ordinary transactions of its interior commerce being thus carried on by paper. The suppression of ten and five shilling bank notes, somewhat relieved the scarcity of gold and silver in Scotland ; and the suppression of twenty shilling notes, will probably relieve it still more. Those metals are said to have become more abundant in America, since the suppression of some

of their paper currencies. They are said, likewise, to have been more abundant before the institution of those currencies.

Though paper money should be pretty much confined to the circulation between dealers and dealers, yet banks and bankers might still be able to give nearly the same assistance to the industry and commerce of the country, as they had done when paper money filled almost the whole circulation. The ready money which a dealer is obliged to keep by him, for answering occasional demands, is destined altogether for the circulation between himself and other dealers, of whom he buys goods. He has no occasion to keep any by him for the circulation between himself and the consumers, who are his customers, and who bring ready money to him, instead of taking any from him. Though no paper money, therefore, was allowed to be issued, but for such sums as would confine it pretty much to the circulation between dealers and dealers ; yet, partly by discounting real bills of exchange, and partly by lending upon cash accounts, banks and bankers might still be able to relieve the greater part of those dealers from the necessity of keeping any considerable part of their stock by them, unemployed and in ready money, for answering occasional demands. They might still be able to give the utmost assistance which banks and bankers can, with propriety, give to traders of every kind.

To restrain private people, it may be said, from receiving in payment the promissory notes of a

banker, for any sum whether great or small, when they themselves are willing to receive them; or, to restrain a banker from issuing such notes, when all his neighbours are willing to accept of them, is a manifest violation of that natural liberty which it is the proper business of law, not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party-walls, in order to prevent the communication of fire, is a violation of natural liberty, exactly of the same kind with the regulations of the banking trade which are here proposed.

A paper money consisting in bank notes, issued by people of undoubted credit, payable upon demand without any condition, and in fact always readily paid as soon as presented, is, in every respect, equal in value to gold and silver money; since gold and silver money can at any time be had for it. Whatever is either bought or sold for such paper, must necessarily be bought or sold as cheap as it could have been for gold and silver.

The increase of paper money, it has been said, by augmenting the quantity, and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But as the quantity of gold and silver, which is taken from

the currency, is always equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency. From the beginning of the last century to the present time, provisions never were cheaper in Scotland than in 1759, though, from the circulation of ten and five shilling bank notes, there was then more paper money in the country than at present. The proportion between the price of provisions in Scotland and that in England, is the same now as before the great multiplication of banking companies in Scotland. Corn is, upon most occasions, fully as cheap in England as in France ; though there is a great deal of paper money in England and scarce any in France. In 1751 and 1752, when Mr. Hume published his *Political Discourses*, and soon after the great multiplication of paper money in Scotland, there was a very sensible rise in the price of provisions, owing, probably, to the badness of the seasons, and not to the multiplication of paper money.

It would be otherwise, indeed, with a paper money consisting in promissory notes, of which the immediate payment depended, in any respect, either upon the good will of those who issued them ; or upon a condition which the holder of the notes might not always have it in his power to fulfil ; or of which the payment was not exigible till after a certain number of years, and which in the mean time bore no interest. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty or uncertainty of obtain-

ing immediate payment was supposed to be greater or less ; or according to the greater or less distance of time at which payment was exigible.

Some years ago the different banking companies of Scotland were in the practice of inserting into their bank notes, what they called an Optional Clause, by which they promised payment to the bearer, either as soon as the note should be presented, or, in the option of the directors, six months after such presentment, together with the legal interest for the said six months. The directors of some of those banks sometimes took advantage of this optional clause, and sometimes threatened those who demanded gold and silver in exchange for a considerable number of their notes, that they would take advantage of it, unless such demanders would content themselves with a part of what they demanded. The promissory notes of those banking companies constituted at that time the far greater part of the currency of Scotland, which this uncertainty of payment necessarily degraded below the value of gold and silver money. During the continuance of this abuse (which prevailed chiefly in 1762, 1763, and 1764), while the exchange between London and Carlisle was at par, that between London and Dumfries would sometimes be four per cent. against Dumfries, though this town is not thirty miles distant from Carlisle. But at Carlisle, bills were paid in gold and silver ; whereas at Dumfries they were paid in Scotch bank notes, and the uncertainty of getting those bank notes ex-

changed for gold and silver coin had thus degraded them four per cent. below the value of that coin. The same act of parliament which suppressed ten and five shilling bank notes, suppressed likewise this optional clause, and thereby restored the exchange between England and Scotland to its natural rate, or to what the course of trade and remittances might happen to make it.

In the paper currencies of Yorkshire, the payment of so small a sum as a sixpence sometimes depended upon the condition that the holder of the note should bring the change of a guinea to the person who issued it; a condition, which the holders of such notes might frequently find it very difficult to fulfil, and which must have degraded this currency below the value of gold and silver money. An act of parliament, accordingly, declared all such clauses unlawful, and suppressed, in the same manner as in Scotland, all promissory notes, payable to the bearer, under twenty shillings value.

The paper currencies of North America consisted, not in bank notes payable to the bearer on demand, but in a government paper, of which the payment was not exigible till several years after it was issued: and though the colony governments paid no interest to the holders of this paper, they declared it to be, and in fact rendered it, a legal tender of payment for the full value for which it was issued. But allowing the colony security to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where interest is at six

per cent. is worth little more than forty pounds ready money. To oblige a creditor, therefore, to accept of this as full payment for a debt of a hundred pounds actually paid down in ready money, was an act of such violent injustice, as has scarce, perhaps, been attempted by the government of any other country which pretended to be free. It bears the evident marks of having originally been, what the honest and downright Doctor Douglas assures us it was, a scheme of fraudulent debtors to cheat their creditors. The government of Pennsylvania, indeed, pretended, upon their first emission of paper money, in 1722, to render their paper of equal value with gold and silver, by enacting penalties against all those who made any difference in the price of their goods when they sold them for a colony paper, and when they sold them for gold and silver; a regulation equally tyrannical, but much less effectual than that which it was meant to support. A positive law may render a shilling a legal tender for a guinea; because it may direct the courts of justice to discharge the debtor who has made that tender. But no positive law can oblige a person who sells goods, and who is at liberty to sell or not to sell, as he pleases, to accept of a shilling as equivalent to a guinea in the price of them. Notwithstanding any regulation of this kind, it appeared by the course of exchange with Great Britain, that a hundred pounds sterling was occasionally considered as equivalent, in some of the colonies, to a hundred and thirty pounds, and in others to so great a sum as eleven

hundred pounds currency; this difference in the value arising from the difference in the quantity of paper emitted in the different colonies, and in the distance and probability of the term of its final discharge and redemption.

No law, therefore, could be more equitable than the act of parliament, so unjustly complained of in the colonies, which declared that no paper currency to be emitted there in time coming, should be a legal tender of payment.

Pennsylvania was always more moderate in its emissions of paper money than any other of our colonies. Its paper currency accordingly is said never to have sunk below the value of the gold and silver which was current in the colony before the first emission of its paper money. Before that emission, the colony had raised the denomination of its coin, and had, by act of assembly, ordered five shillings sterling to pass in the colony for six and three-pence, and afterwards for six and eight-pence. A pound colony currency, therefore, even when that currency was gold and silver, was more than thirty per cent. below the value of a pound sterling, and when that currency was turned into paper, it was seldom much more than thirty per cent. below that value. The pretence for raising the denomination of the coin, was to prevent the exportation of gold and silver, by making equal quantities of those metals pass for greater sums in the colony than they did in the mother country. It was found, however, that the price of all goods from the mother

country rose exactly in proportion as they raised the denomination of their coin, so that their gold and silver were exported as fast as ever.

The paper of each colony being received in the payment of the provincial taxes, for the full value for which it had been issued, it necessarily derived from this use some additional value, over and above what it would have had, from the real or supposed distance of the term of its final discharge and redemption. This additional value was greater or less according as the quantity of paper issued was more or less above what could be employed in the payment of the taxes of the particular colony which issued it. It was in all the colonies very much above what could be employed in this manner.

A prince, who should enact that a certain proportion of his taxes should be paid in a paper money of a certain kind, might thereby give a certain value to this paper money; even though the term of its final discharge and redemption should depend altogether upon the will of the prince. If the bank which issued this paper was careful to keep the quantity of it always somewhat below what could easily be employed in this manner, the demand for it might be such as to make it even bear a premium, or sell for somewhat more in the market than the quantity of gold or silver currency for which it was issued. Some people account in this manner for what is called the *Agio* of the bank of Amsterdam, or for the superiority of bank money over current money; though this bank money, as they pretend, cannot be

taken out of the bank at the will of the owner. The greater part of foreign bills of exchange must be paid in bank money, that is, by a transfer in the books of the bank; and the directors of the bank, they allege, are careful to keep the whole quantity of bank money always below what this use occasions a demand for. It is upon this account, they say, that bank money sells for a premium, or bears an agio of four or five per cent. above the same nominal sum of the gold and silver currency of the country. This account of the bank of Amsterdam, however, it will appear hereafter, is in a great measure chimerical.

A paper currency which falls below the value of gold and silver coin, does not thereby sink the value of those metals, or occasion equal quantities of them to exchange for a smaller quantity of goods of any other kind. The proportion between the value of gold and silver, and that of goods of any other kind, depends in all cases, not upon the nature or quantity of any particular paper money, which may be current in any particular country, but upon the richness or poverty of the mines, which happen at any particular time to supply the great market of the commercial world with those metals. It depends upon the proportion between the quantity of labour which is necessary in order to bring a certain quantity of gold and silver to market, and that which is necessary in order to bring thither a certain quantity of any other sort of goods.

If bankers are restrained from issuing any circu-

lating bank notes, or notes payable to the bearer, for less than a certain sum ; and if they are subjected to the obligation of an immediate and unconditional payment of such bank notes as soon as presented, their trade may, with safety to the public, be rendered in all other respects perfectly free. The late multiplication of banking companies in both parts of the united kingdom, an event by which many people have been much alarmed, instead of diminishing, increases the security of the public. It obliges all of them to be more circumspect in their conduct, and, by not extending their currency beyond its due proportion to their cash, to guard themselves against those malicious runs, which the rivalry of so many competitors is always ready to bring upon them. It restrains the circulation of each particular company within a narrower circle, and reduces their circulating notes to a smaller number. By dividing the whole circulation into a greater number of parts, the failure of any one company, an accident which, in the course of things, must sometimes happen, becomes of less consequence to the public. This free competition too obliges all bankers to be more liberal in their dealings with their customers, lest their rivals should carry them away. In general, if any branch of trade, or any division of labour [employments], be advantageous to the public, the freer and more general the competition, it will always be the more so.

NOTE

ON CHAPTER II., BOOK II.

By Adam Smith, and most other economical writers, the different sorts of paper money are considered as substitutes for metallic money, more convenient than coin for certain purposes, but chiefly advantageous on account of the saving which arises from the adoption of them. This doctrine appears to require some correction.

Generally, if not always, when a large quantity of metallic money is used, it is bartered for something else, and does not serve as an instrument for the exchange of other things: so long as it remains a large quantity, however often it may be exchanged, it is a commodity, and not an instrument for the exchange of commodities. In fact, the weight of metallic money, the trouble of counting large sums, and the risk of losing while removing what has so great an intrinsic value, render it wholly unfit to serve as an instrument of exchange, either between distant places or for large values. As respects such exchanges, then, paper is not a substitute for metal; nor could metal be used instead of paper, even

though it should cost no more than bills of exchange or bank notes.

Paper money has another very useful quality which does not belong to coin of the precious metals. It often happens in old countries, but still more frequently in colonies, that, in consequence of a sudden increase of production, more money is suddenly wanted for carrying on a greater number of exchanges, or exchanges to a larger amount. Such a want must be satisfied, if at all, at the time when it arises : but, since metallic money could not be obtained except from a distance, and by means of barter for some other commodity which must be produced before it could be exchanged for metal, some time must elapse before a fresh supply could be procured. For satisfying such a want, therefore, metallic money is wholly unfit. Paper money, on the contrary, may be increased at the moment when a larger quantity is required. The difference relates, not to cost, but to time. Though the metal should cost nothing, still if it were not procured when wanted, it might not be wanted when it was procured : it might not be wanted then, because the want of it had not been satisfied at the proper time. Thus, in the newly-settled parts of North America, one sometimes hears it said, that a bank has been established "too late." Wanting a medium of exchange, the people of the new settlement have been discouraged ; the place has got a bad name : and when the paper money comes, more than half the people, perhaps, have removed to some other settle-

ment where there never was any deficiency of bank notes : the bank, therefore, has been established too late. There is a sort of proverb too, in the western parts of North America, to the effect that a new settlement goes to ruin *without* a bank, recovers with *one*, and flourishes with *two*. Those American banks generally increase the amount of currency at the moment when a larger quantity is required. The capacity of being so furnished, is a property of paper money which metal does not possess. Paper money then is, not merely more convenient and cheaper than coin of the precious metals ; it is the only sort of money that will serve a variety of the most useful purposes.

In some cases, moreover, I cannot help doubting whether any thing is gained by substituting paper for coin in those transactions as to which coin will serve as the medium of exchange. When there is room for the employment of more capital, every thing which promotes accumulation is useful ; because whatever is saved may be profitably employed. But, as formerly in Genoa, Venice, and Holland, so now in this country, fresh savings, new capitals, cannot be profitably employed, but are either wasted in ruinous undertakings, or are sent to other countries. Suppose, for example, that all the millions of British capital which were recently lent, or rather given to the beggarly states of South America, had, by means of taxation, passed into the hands of our own government, and had been exchanged for gold or silver to serve as currency ; in

that case, what should we have lost? We should not, at all events, have lost more than we have lost. This supposed case is strictly in point. When capital is superabundant, then, that portion of it which cannot be employed with profit will either be employed without profit, or with loss, or be consumed, or sent abroad, and might be used for providing a metallic currency without in the least diminishing the wealth of the nation. "The judicious operations of banking" do not "enable the country to convert, as it were, a great part of its highways into good pastures and corn fields," but, to vary Adam Smith's metaphor, they enable the country to convert its coin into ploughs; a most useful process when there is room for the employment of more ploughs, but one by which nothing would be gained, if as many ploughs as could be used were already in existence. Supposing capital to be superabundant, as it seems to be at present in Great Britain, then if paper were substituted for coin as the medium of exchange, capital would, to the amount of that substitution, be more in excess than ever; and the nation would not gain at all. According to Dr. Chalmers, the nation would suffer injury by this process; or would gain by adopting, not a less, but a more expensive currency; since this would be one way of promoting that expenditure or consumption by which alone, he thinks, superabundance of capital, with all its attendant evils, may be prevented. The question, however, belongs rather to the subject of capital or profits,

than to that of money ; and I have touched upon it here, only for the purpose of strengthening the position already laid down ; viz., that the superior cheapness of paper currency is by no means its greatest merit. If economists should see that, in some cases, the greater cheapness of paper money is no advantage at all, and that yet, even in those cases, the advantage of paper money is very great, they would recommend the use of paper money on stronger grounds than that of the saving thereby effected.

The grand defect of paper money, its liability to become a measure of value, and to alter in value, has not been very precisely stated by Adam Smith ; nor has he clearly distinguished between the circumstances under which paper money will alter in value, and those under which its value will constantly agree with that of the precious metals. But subsequent writers, at the head of whom we must place Mr. Ricardo, have supplied this deficiency of the *Wealth of Nations*.

All paper money consists of promises to pay some quantity of a precious metal.

In what may be termed their natural state,—when not meddled with by the authority of government,—such promises have no tendency to rise above, or fall below the value of the thing promised ; they are mere instruments of exchange. .

By the authority of government such a character may be given to them, that their value, in relation to the thing promised, shall depend altogether on their

quantity. A paper money which the law declares to be the only legal tender, or even the only money in which taxes shall be paid, may be raised to any conceivable value by a diminution of its quantity. A paper money which is not convertible into metal, may be termed promises to pay with promises. These may be depreciated to any extent by an increase of their quantity.

When the law has required any large amount of payments to be made in a particular paper currency, the only way in which the quantity of that currency may be so measured as to provide against the promise becoming more valuable than the thing promised, is by compelling those who issue the money, to issue as much as may be demanded of them in exchange for metal.

In order to prevent a paper currency from falling in value below the thing promised, nothing is requisite but that the issuers of the promise should be compelled to perform it; that those who have promised metal should be made to keep their word, either directly or indirectly; either by paying with metal, or with some other paper currency which is convertible into metal.

Such appear to be the main principles of Mr. Ricardo's plan for an economical and secure currency of which some account follows in his own words*.

"To secure the public against any other variations in the value of currency than those to which

* From *Proposals for an Economical and Secure Currency*. 1816.

the standard itself is subject, and, at the same time, to carry on the circulation with a medium the least expensive, is to attain the most perfect state to which a currency can be brought, and we should possess all these advantages by subjecting the Bank to the delivery of uncoined gold or silver at the Mint standard and price, in exchange for their notes, instead of the delivery of guineas; by which means paper would never fall below the value of bullion, without being followed by a reduction of its quantity. To prevent the rise of paper above the value of bullion, the Bank should be also obliged to give their paper in exchange for standard gold at the price of 3*l.* 17*s.* per ounce. Not to give too much trouble to the Bank, the quantity of gold to be demanded in exchange for paper at the Mint price of 3*l.* 17*s.* 10½*d.*, or the quantity to be sold to the Bank at 3*l.* 17*s.*, should never be less than twenty ounces. In other words, the Bank should be obliged to purchase any quantity of gold that was offered them, not less than twenty ounces, at 3*l.* 17*s.** per ounce, and to sell any quantity that might be demanded at 3*l.* 17*s.* 10½*d.* While they have the

* "The price of 3*l.* 17*s.* here mentioned, is, of course, an arbitrary price. There might be good reason, perhaps, for fixing it either a little above, or a little below. In naming 3*l.* 17*s.*, I wish only to elucidate the principle. The price ought to be so fixed, as to make it the interest of the seller of gold, rather to sell it to the Bank, than to carry it to the Mint to be coined. The same remark applies to the specified quantity of twenty ounces. There might be good reason for making it ten or thirty."

power of regulating the quantity of their paper, there is no possible inconvenience that could result to them from such a regulation.

“The most perfect liberty should be given, at the same time, to export or import every description of bullion. These transactions in bullion would be very few in number, if the Bank regulated their loans and issues of paper by the criterion which I have so often mentioned, namely, the price of standard bullion, without attending to the absolute quantity of paper in circulation.

“The object which I have in view would be in a great measure attained, if the Bank were obliged to deliver uncoined bullion, in exchange for their notes, at the Mint price and standard; though they were not under the necessity of purchasing any quantity of bullion offered them at the prices to be fixed, particularly if the Mint were to continue open to the public for the coinage of money; for that regulation is merely suggested, to prevent the value of money from varying from the value of bullion more than the trifling difference between the prices at which the Bank should buy and sell, and which would be an approximation to that uniformity in its value which is acknowledged to be so desirable.

“If the Bank capriciously limited the quantity of their paper, they would raise its value; and gold might appear to fall below the limits at which I propose the Bank should purchase. Gold, in that case, might be carried to the Mint, and the money returned from thence, being added to the circula-

tion, would have the effect of lowering its value, and making it again conform to the standard ; but it would neither be done so safely, so economically, nor so expeditiously, as by the means which I have proposed ; against which the Bank can have no objection to offer, as it is for their interest to furnish the circulation with paper, rather than oblige others to furnish it with coin.

“ Under such a system, and with a currency so regulated, the Bank would never be liable to any embarrassments whatever, excepting on those extraordinary occasions, when a general panic seizes the country, and when every one is desirous of possessing the precious metals as the most convenient mode of realizing or concealing his property. Against such panics, banks have no security, *on any system* ; from their very nature they are subject to them, as at no time can there be in a bank, or in a country, so much specie or bullion as the monied individuals of such country have a right to demand. Should every man withdraw his balance from his banker on the same day, many times the Bank notes now in circulation would be insufficient to answer such a demand. A panic of this kind was the cause of the crisis in 1797 ; and not, as has been supposed, the large advances which the Bank had then made to Government. Neither the Bank nor Government were at that time to blame ; it was the contagion of the unfounded fears of the timid part of the community, which occasioned the run on the Bank, and it would equally have taken place if they had not

made any advances to Government, and had possessed twice their present capital. If the Bank had continued paying in cash, probably the panic would have subsided before their coin had been exhausted.

“With the known opinion of the Bank directors, as to the rule for issuing paper money, they may be said to have exercised their powers without any great indiscretion. It is evident that they have followed their own principle with extreme caution. In the present state of the law, they have the power; without any control whatever, of increasing or reducing the circulation in any degree they may think proper; a power which should neither be entrusted to the State itself, nor to anybody in it; as there can be no security for the uniformity in the value of the currency, when its augmentation or diminution depends solely on the will of the issuers. That the Bank have the power of reducing the circulation to the very narrowest limits, will not be denied, even by those who agree in opinion with the directors, that they have not the power of adding indefinitely to its quantity. Though I am fully assured that it is both against the interest and the wish of the Bank to exercise this power to the detriment of the public, yet, when I contemplate the evil consequences which might ensue from a sudden and great reduction of the circulation, as well as from a great addition to it, I cannot but deprecate the facility with which the State has armed the Bank with so formidable a prerogative.

“The inconvenience to which country banks were subjected before the restriction on cash payments,

must, at times, have been very great. At all periods of alarm, or of expected alarm, they must have been under the necessity of providing themselves with guineas, that they might be prepared for every exigency which might occur. Guineas, on these occasions, were obtained at the Bank in exchange for the larger notes, and were conveyed by some confidential agent, at expense and risk, to the country bank. After performing the office to which they were destined, they found their way again to London, and in all probability were again lodged in the Bank, provided they had not suffered such a loss of weight, as to reduce them below the legal standard.

“If the plan now proposed, of paying Bank notes in bullion, be adopted, it would be necessary either to extend the same privilege to country banks, or to make Bank notes a legal tender, in which latter case there would be no alteration in the law respecting country banks, as they would be required, precisely as they now are, to pay their notes, when demanded, in Bank of England notes.

“The saving which would take place, from not submitting the guineas to the loss of weight, from the friction which they must undergo in their repeated journeys, as well as of the expenses of conveyance, would be considerable; but by far the greatest advantage would result from the permanent supply of the country, as well as of the London circulation, as far as the smaller payments are concerned, being provided in the very cheap medium, paper, instead of the very valuable medium, gold;

thereby enabling the country to derive all the profit which may be obtained by the productive employment of a capital to that amount. We should surely not be justified in rejecting so decided a benefit, unless some specific inconvenience could be pointed out as likely to follow from adopting the cheaper medium."

"A currency", Mr. Ricardo adds in his *Principles of Political Economy and Taxation*, "is in its most perfect state when it consists wholly of paper money, but of paper money, *of an equal value with the gold which it professes to represent.*" He had not imagined a currency which should be free from the great variations of value, to which the precious metals themselves are liable. Such a currency, however, has been imagined.

"No single commodity," says Mr. Poulett Scrope*, "can be depended on as a true measure of value. But the next best thing to obtaining a perfect measure of value, is to obtain a means of ascertaining the variations of the imperfect measure we may be compelled to employ for want of a better. Now the variations in value of any commodity might, it would seem, be ascertained approximatively, and with quite sufficient accuracy for all practical purposes, by comparing it with the great bulk of other commodities;—by placing gold, for example, on one side, and on the other a large list of the commodities in general use, which may be taken to represent fairly enough the entire mass of goods. Take for instance, a price-current, containing the prices of one hundred

* Principles of Political Economy, p. 405.

articles in general request, in quantities determined by the proportionate consumption of each article—and estimated (as they are under the standard of this country) in gold. Any variations from time to time in the sum or the mean of these prices, will measure, with sufficient accuracy for all practical purposes, the variations which have occurred in the general exchangeable value of gold.

“ It is quite indifferent whether the change has been brought about by circumstances immediately affecting the productions of gold or of goods;—whether the *real* costs of producing the one or the other have increased or diminished. The change in the *relative* facility of producing gold and goods, in either case, occasions a change in the value of gold—and consequently, in this country, of money,—equally unjust and unfair upon debtors, or creditors, both parties having contracted to pay or to receive money upon the faith of money continuing to remain invariable in value,—that is, in its relations to the mass of other commodities.

“ On these grounds it has been proposed to correct the legal standard of value (or, at least, to afford to individuals the means of ascertaining its errors), by the periodical publication of an authentic price-current, containing a list of a large number of articles in general use, arranged in quantities corresponding to their relative consumption, so as to give the rise or fall, from time to time, of the mean of prices ; which will indicate, with all the exactness desirable for commercial purposes, the variations in the value

of money ; and enable individuals, if they shall think fit, to regulate their pecuniary engagements by reference to this *Tabular Standard*.

“ Here, then, though the law continued to maintain the metallic standard in all contracts which did not contain a special agreement to the contrary, it would be open to parties to avail themselves, if they chose, of the comparatively invariable standard which the table would afford them, by declaring that their agreement should have reference to the tabular standard, or be corrected from time to time by it. The publication of such a table of reference in an authentic form, would entirely obviate the disadvantages attendant on variations in the value of the metallic standard in all future contracts. The extent of these variations would be openly declared and easily ascertained. There would no longer be any deception or jugglery in the standard of value to be dreaded by those who enter upon money engagements. Such persons as continued to regulate their contracts by the metallic standard would do so with their eyes open to its possible fluctuations ; and their acquiescence in the chances attendant on its use might thenceforward be fairly implied from its voluntary employment. Those, on the other hand, who wished to employ money in their contracts as a correct measure of value, and to run no risks of its variation either way, would have it in their power to confer on the sum specified an uniformity and permanency of value, *by changing its numerical amount in proportion to the change in its power of purchase.*”

CHAP. III.

Of the Accumulation of Capital, or of Productive and Unproductive Labour.

THERE is one sort of labour which adds to the value of the subject upon which it is bestowed : there is another which has no such effect. The former, as it produces a value, may be called productive ; the latter, unproductive* labour. Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers : he grows poor, by maintaining a multitude of menial servants. The labour of the latter, however, has its value, and deserves its reward as well as that of the former. But

* Some French authors of great learning and ingenuity have used those words in a different sense. In the last chapter of the fourth book, I shall endeavour to show that their sense is an improper one.—A.

the labour of the manufacturer fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realize itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured.

The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject, or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured. The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people. Their service, how honourable, how useful, or how necessary soever, produces nothing for which an equal quantity of service can afterwards be procured. The protection,

security, and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security, and defence for the year to come. In the same class must be ranked, some both of the gravest and most important, and some of the most frivolous professions: churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful, produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production.

Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce, how great soever, can never be infinite, but must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case and the less in the other will remain for the productive, and the next year's produce will be greater or smaller accordingly; the whole annual produce, if we except the spontaneous productions of the earth, being the effect of productive labour.

Though the whole annual produce of the land

and labour of every country, is, no doubt, ultimately destined for supplying the consumption of its inhabitants, and for procuring a revenue to them ; yet when it first comes either from the ground, or from the hands of the productive labourers, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for replacing a capital, or for renewing the provisions, materials, and finished work, which had been withdrawn from a capital ; the other for constituting a revenue either to the owner of this capital, as the profit of his stock ; or to some other person, as the rent of his land. Thus, of the produce of land, one part replaces the capital of the farmer ; the other pays his profit and the rent of the landlord ; and thus constitutes a revenue both to the owner of this capital, as the profits of his stock ; and to some other person, as the rent of his land. Of the produce of a great manufactory, in the same manner, one part, and that always the largest, replaces the capital of the undertaker of the work ; the other pays his profit, and thus constitutes a revenue to the owner of this capital.

That part of the annual produce of the land and labour of any country which replaces a capital, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue either as profit or as rent, may maintain indifferently either productive or unproductive hands.

Whatever part of his stock a man employs as a capital, he always expects it to be replaced to him with a profit. He employs it, therefore, in maintaining productive hands only; and after having served in the function of a capital to him, it constitutes a revenue to them. Whenever he employs any part of it in maintaining unproductive hands of any kind, that part is, from that moment, withdrawn from his capital, and placed in his stock reserved for immediate consumption.

Unproductive labourers, and those who do not labour at all, are all maintained by revenue; either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the rent of land or as the profits of stock; or, secondly, by that part which, though originally destined for replacing a capital and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus, not only the great landlord or the rich merchant, but even the common workman, if his wages are considerable, may maintain a menial servant; or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one set of unproductive labourers; or he may pay some taxes, and thus help to maintain another set, more honourable and useful, indeed, but equally unproductive. No part of the annual produce, however, which had

been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour, or all that it could put into motion in the way in which it was employed. The workman must have earned his wages by work done, before he can employ any part of them in this manner. That part too is generally but a small one. It is his spare revenue only, of which productive labourers have seldom a great deal. They generally have some, however; and in the payment of taxes the greatness of their number may compensate, in some measure, the smallness of their contribution. The rent of land and the profits of stock are everywhere, therefore, the principal sources from which unproductive hands derive their subsistence. These are the two sorts of revenue of which the owners have generally most to spare. They might both maintain indifferently either productive or unproductive hands. They seem, however, to have some predilection for the latter. The expense of a great lord feeds generally more idle than industrious people. The rich merchant, though with his capital he maintains industrious people only, yet by his expense, that is, by the employment of his revenue, he feeds commonly the very same sort as the great lord.

The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it

comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent or as profit. This proportion is very different in rich from what it is in poor countries.

Thus, at present, in the opulent countries of Europe, a very large, frequently the largest portion of the produce of the land, is destined for replacing the capital of the rich and independent farmer; the other for paying his profits, and the rent of the landlord. But anciently, during the prevalency of the feudal government, a very small portion of the produce was sufficient to replace the capital employed in cultivation. It consisted commonly in a few wretched cattle, maintained altogether by the spontaneous produce of uncultivated land, and which might, therefore, be considered as a part of that spontaneous produce. It generally too belonged to the landlord, and was by him advanced to the occupiers of the land. All the rest of the produce properly belonged to him too, either as rent for his land, or as profit upon this paltry capital. The occupiers of land were generally bondmen, whose persons and effects were equally his property. Those who were not bondmen were tenants at will, and though the rent which they paid was often nominally little more than a quit-rent, it really amounted to the whole produce of the land. Their lord could at all times command their labour in peace, and their service in war. Though they lived at a distance from his

house, they were equally dependent upon him as his retainers who lived in it. But the whole produce of the land undoubtedly belongs to him, who can dispose of the labour and service of all those whom it maintains. In the present state of Europe, the share of the landlord seldom exceeds a third, sometimes not a fourth part of the whole produce of the land. The rent of land, however, in all the improved parts of the country, has been tripled and quadrupled since those ancient times ; and this third or fourth part of the annual produce is, it seems, three or four times greater than the whole had been before. In the progress of improvement, rent, though it increases in proportion to the extent, diminishes in proportion to the produce of the land.

In the opulent countries of Europe, great capitals are at present employed in trade and manufactures. In the ancient state, the little trade that was stirring, and the few homely and coarse manufactures that were carried on, required but very small capitals. These, however, must have yielded very large profits. The rate of interest was no where less than ten per cent., and their profits must have been sufficient to afford this great interest. At present the rate of interest, in the improved parts of Europe, is no where higher than six per cent., and in some of the most improved it is so low as four, three, and two per cent. Though that part of the revenue of the inhabitants which is derived from the profits of stock is always much greater in rich than in poor countries, it is because the stock is much greater :

in proportion to the stock the profits are generally much less.

That part of the annual produce, therefore, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit. The funds destined for the maintenance of productive labour, are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter.

The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness. We are more industrious than our forefathers; because in the present times the funds destined for the maintenance of industry, are much greater in proportion to those which are likely to be employed in the maintenance of idleness, than they were two or three centuries ago. Our ancestors were idle for want of a sufficient encouragement to industry. It is better, says the proverb, to play for nothing, than to work for nothing. In mercantile and manufacturing towns, where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober, and thriving; as in many English, and in most Dutch towns. In those towns

which are principally supported by the constant or occasional residence of a court, and in which the inferior ranks of people are chiefly maintained by the spending of revenue, they are in general idle, dissolute, and poor ; as at Rome, Versailles, Compeigne, and Fontainebleau. If you except Rouen and Bourdeaux, there is little trade or industry in any of the parliament towns of France, and the inferior ranks of people, being chiefly maintained by the expense of the members of the courts of justice, and of those who come to plead before them, are in general idle and poor. The great trade of Rouen and Bourdeaux seems to be altogether the effect of their situation. Rouen is necessarily the entrepôt of almost all the goods which are brought either from foreign countries, or from the maritime provinces of France, for the consumption of the great city of Paris. Bourdeaux is in the same manner the entrepôt of the wines which grow upon the banks of the Garonne, and of the rivers which run into it, one of the richest wine countries in the world, and which seems to produce the wine fittest for exportation, or best suited to the taste of foreign nations. Such advantageous situations necessarily attract a great capital by the great employment which they afford it ; and the employment of this capital is the cause of the industry of those two cities. In the other parliament towns of France, very little more capital seems to be employed than what is necessary for supplying their own consumption ; that is, little more than the smallest capital which can be employed in them.

The same thing may be said of Paris, Madrid, and Vienna. Of those three cities, Paris is by far the most industrious: but Paris itself is the principal market of all the manufactures established at Paris, and its own consumption is the principal object of all the trade which it carries on. London, Lisbon, and Copenhagen, are, perhaps, the only three cities in Europe, which are both the constant residence of a court, and can at the same time be considered as trading cities, or as cities which trade not only for their own consumption, but for that of other cities and countries. The situation of all the three is extremely advantageous, and naturally fits them to be the entrepôts of a great part of the goods destined for the consumption of distant places. In a city where a great revenue is spent, to employ with advantage a capital for any other purpose than for supplying the consumption of that city, is probably more difficult than in one in which the inferior ranks of people have no other maintenance but what they derive from the employment of such a capital. The idleness of the greater part of the people who are maintained by the expense of revenue, corrupts, it is probable, the industry of those who ought to be maintained by the employment of capital, and renders it less advantageous to employ a capital there than in other places. There was little trade or industry in Edinburgh before the Union. When the Scotch parliament was no longer to be assembled in it, when it ceased to be the necessary residence of the principal nobility and gentry of Scotland, it became a

city of some trade and industry. It still continues, however, to be the residence of the principal courts of justice in Scotland, of the boards of customs and excise, &c. A considerable revenue, therefore, still continues to be spent in it. In trade and industry it is much inferior to Glasgow, of which the inhabitants are chiefly maintained by the employment of capital. The inhabitants of a large village, it has sometimes been observed, after having made considerable progress in manufactures, have become idle and poor, in consequence of a great lord's having taken up his residence in their neighbourhood.

The proportion between capital and revenue, therefore, seems every where to regulate the proportion between industry and idleness. Wherever capital predominates, industry prevails; wherever revenue, idleness. Every increase or diminution of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all its inhabitants.

Capitals are increased by parsimony, and diminished by prodigality and misconduct.

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it to him for an interest, that is, for a share of the profits. As the capital of an individual can be in-

creased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.

Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater.

Parsimony, by increasing the fund which is destined for the maintenance of productive hands, tends to increase the number of those hands whose labour adds to the value of the subject upon which it is bestowed. It tends therefore to increase the exchangeable value of the annual produce of the land and labour of the country. It puts into motion an additional quantity of industry, which gives an additional value to the annual produce.

What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too; but it is consumed by a different set of people. That portion of his revenue which a rich man annually spends, is in most cases consumed by idle guests, and menial servants, who leave nothing behind them in return for their consumption. That portion which he annually saves, as for the sake of the profit it is immediately employed as a capital, is consumed in the same manner, and nearly in the same time too, but by a different set of people, by

labourers, manufacturers, and artificers, who reproduce with a profit the value of their annual consumption. His revenue, we shall suppose, is paid him in money. Had he spent the whole, the food, clothing, and lodging, which the whole could have purchased, would have been distributed among the former set of people. By saving a part of it, as that part is for the sake of the profit immediately employed as a capital either by himself or by some other person, the food, clothing, and lodging, which may be purchased with it, are necessarily reserved for the latter. The consumption is the same, but the consumers are different.

By what a frugal man annually saves, he not only affords maintenance to an additional number of productive hands, for that or the ensuing year, but, like the founder of a public workhouse, he establishes as it were a perpetual fund for the maintenance of an equal number in all times to come. The perpetual allotment and destination of this fund, indeed, is not always guarded by any positive law, by any trust-right or deed of mortmain. It is always guarded, however, by a very powerful principle, the plain and evident interest of every individual to whom any share of it shall ever belong. No part of it can ever afterwards be employed to maintain any but productive hands, without an evident loss to the person who thus perverts it from its proper destination.

The prodigal perverts it in this manner. By not confining his expense within his income, he encroaches upon his capital. Like him who perverts

the revenues of some pious foundation to profane purposes, he pays the wages of idleness with those funds which the frugality of his forefathers had, as it were, consecrated to the maintenance of industry. By diminishing the funds destined for the employment of productive labour, he necessarily diminishes, so far as it depends upon him, the quantity of that labour which adds a value to the subject upon which it is bestowed, and, consequently, the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants. If the prodigality of some were not compensated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the industrious, tends not only to beggar himself, but to impoverish his country.

Though the expense of the prodigal should be altogether in home-made, and no part of it in foreign commodities, its effect upon the productive funds of the society would still be the same. Every year there would still be a certain quantity of food and clothing, which ought to have maintained productive, employed in maintaining unproductive hands. Every year, therefore, there would still be some diminution in what would otherwise have been the value of the annual produce of the land and labour of the country.

This expense, it may be said indeed, not being in foreign goods, and not occasioning any exportation of gold and silver, the same quantity of money would remain in the country as before. But if the quantity

of food and clothing, which werè thus consumed by unproductive, had been distributed among productive hands, they would have re-produced, together with a profit, the full value of their consumption. The same quantity of money would in this case equally have remained in the country, and there would besides have been a reproduction of an equal value of consumable goods. There would have been two values instead of one.

The same quantity of money, besides, cannot long remain in any country in which the value of the annual produce diminishes. The sole use of money is to circulate consumable goods. By means of it, provisions, materials, and finished work, are bought and sold, and distributed to their proper consumers. The quantity of money, therefore, which can be annually employed in any country, must be determined by the value of the consumable goods annually circulated within it. These must consist either in the immediate produce of the land and labour of the country itself, or in something which had been purchased with some part of that produce. Their value, therefore, must diminish as the value of that produce diminishes, and along with it the quantity of money which can be employed in circulating them. But the money which by this annual diminution of produce is annually thrown out of domestic circulation, will not be allowed to lie idle. The interest of whoever possesses it, requires that it should be employed. But having no employment at home, it will, in spite of all laws and prohibitions, be sent abroad,

and employed in purchasing consumable goods which may be of some use at home. Its annual exportation will in this manner continue for some time to add something to the annual consumption of the country beyond the value of its own annual produce. What in the days of its prosperity had been saved from that annual produce, and employed in purchasing gold and silver, will contribute for some little time to support its consumption in adversity. The exportation of gold and silver is, in this case, not the cause, but the effect of its declension, and may even, for some little time, alleviate the misery of that declension.

The quantity of money, on the contrary, must in every country naturally increase as the value of the annual produce increases. The value of the consumable goods annually circulated within the society being greater, will require a greater quantity of money to circulate them. A part of the increased produce, therefore, will naturally be employed in purchasing, wherever it is to be had, the additional quantity of gold and silver necessary for circulating the rest. The increase of those metals will in this case be the effect, not the cause, of the public prosperity. Gold and silver are purchased every where in the same manner. The food, clothing, and lodging, the revenue and maintenance of all those whose labour or stock is employed in bringing them from the mine to the market, is the price paid for them in Peru as well as in England. The country which has this price to pay, will never be long without the

quantity of those metals which it has occasion for ; and no country will ever long retain a quantity which it has no occasion for.

Whatever, therefore, we may imagine the real wealth and revenue of a country to consist in, whether in the value of the annual produce of its land and labour, as plain reason seems to dictate, or in the quantity of the precious metals which circulate within it, as vulgar prejudices suppose, in either view of the matter, every prodigal appears to be a public enemy, and every frugal man a public benefactor.

The effects of misconduct are often the same as those of prodigality. Every injudicious and unsuccessful project in agriculture, mines, fisheries, trade, or manufactures, tends in the same manner to diminish the funds destined for the maintenance of productive labour. In every such project, though the capital is consumed by productive hands only, yet, as by the injudicious manner in which they are employed, they do not reproduce the full value of their consumption, there must always be some diminution in what would otherwise have been the productive funds of the society.

It can seldom happen, indeed, that the circumstances of a great nation can be much affected either by the prodigality or misconduct of individuals ; the profusion or imprudence of some being always more than compensated by the frugality and good conduct of others.

With regard to profusion, the principle which

prompts to expense, is the passion for present enjoyment; which, though sometimes violent and very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save, is the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which separates those two moments, there is scarce perhaps a single instance in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind. An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasions. Though the principle of expense, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly.

With regard to misconduct, the number of prudent and successful undertakings is every where much greater than that of injudicious and unsuccessful ones. After all our complaints of the frequency of bankruptcies, the unhappy men who fall

into this misfortune make but a very small part of the whole number engaged in trade, and all other sorts of business ; not much more perhaps than one in a thousand. Bankruptcy is perhaps the greatest and most humiliating calamity which can befall an innocent man. The greater part of men, therefore, are sufficiently careful to avoid it. Some, indeed, do not avoid it ; as some do not avoid the gallows.

Great nations are never impoverished by private, though they sometimes are by public, prodigality and misconduct. The whole, or almost the whole public revenue, is in most countries employed in maintaining unproductive hands. Such are the people who compose a numerous and splendid court, a great ecclesiastical establishment, great fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expense of maintaining them, even while the war lasts. Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year. The next year's produce, therefore, will be less than that of the foregoing, and if the same disorder should continue, that of the third year will be still less than that of the second. Those unproductive hands, who should be maintained by a part only of the spare revenue of the people, may consume so great

a share of their whole revenue, and thereby oblige so great a number to encroach upon their capitals, upon the funds destined for the maintenance of productive labour, that all the frugality and good conduct of individuals may not be able to compensate the waste and degradation of produce occasioned by this violent and forced encroachment.

This frugality and good conduct, however, is upon most occasions, it appears from experience, sufficient to compensate, not only the private prodigality and misconduct of individuals, but the public extravagance of government. The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite not only of the disease, but of the absurd prescriptions of the doctor.

The annual produce of the land and labour of any nation can be increased in its value by no other means, but by increasing either the number of its productive labourers, or the productive powers of those labourers who had before been employed. The number of its productive labourers, it is evident, can never be much increased, but in consequence of an increase of capital, or of the funds

destined for maintaining them. The productive powers of the same number of labourers cannot be increased, but in consequence either of some addition and improvement to those machines and instruments which facilitate and abridge labour; or of a more proper division and distribution of employment. In either case an additional capital is almost always required. It is by means of an additional capital only, that the undertaker of any work can either provide his workmen with better machinery, or make a more proper distribution of employment among them. When the work to be done consists of a number of parts, to keep every man constantly employed in one way, requires a much greater capital than where every man is occasionally employed in every different part of the work. When we compare, therefore, the state of a nation at two different periods, and find, that the annual produce of its land and labour is evidently greater at the latter than at the former, that its lands are better cultivated, its manufactures more numerous and more flourishing, and its trade more extensive, we may be assured that its capital must have increased during the interval between those two periods, and that more must have been added to it by the good conduct of some, than had been taken from it either by the private misconduct of others, or by the public extravagance of government. But we shall find this to have been the case of almost all nations, in all tolerably quiet and peaceable times, even of those who have not enjoyed the most

prudent and parsimonious governments. To form a right judgment of it, indeed, we must compare the state of the country at periods somewhat distant from one another. The progress is frequently so gradual, that, at near periods, the improvement is not only not sensible, but from the declension either of certain branches of industry, or of certain districts of the country, things which sometimes happen though the country in general be in great prosperity, there frequently arises a suspicion, that the riches and industry of the whole are decaying.

The annual produce of the land and labour of England, for example, is certainly much greater than it was a little more than a century ago at the restoration of Charles II. Though, at present, few people, I believe, doubt of this, yet during this period, five years have seldom passed away in which some book or pamphlet has not been published, written too with such abilities as to gain some authority with the public, and pretending to demonstrate that the wealth of the nation was fast declining, that the country was depopulated, agriculture neglected, manufactures decaying, and trade undone. Nor have these publications been all party pamphlets, the wretched offspring of falsehood and venality. Many of them have been written by very candid and very intelligent people; who wrote nothing but what they believed, and for no other reason but because they believed it.

The annual produce of the land and labour of England again, was certainly much greater at the

Restoration than we can suppose it to have been about an hundred years before, at the accession of Elizabeth. At this period too, we have all reason to believe the country was much more advanced in improvement, than it had been about a century before, towards the close of the dissensions between the houses of York and Lancaster. Even then it was, probably, in a better condition than it had been at the Norman conquest, and at the Norman conquest, than during the confusion of the Saxon Heptarchy. Even at this early period, it was certainly a more improved country than at the invasion of Julius Cæsar, when its inhabitants were nearly in the same state with the savages in North America.

In each of those periods, however, there was not only much private and public profusion, many expensive and unnecessary wars, great perversion of the annual produce from maintaining productive to maintain unproductive hands; but sometimes, in the confusion of civil discord, such absolute waste and destruction of stock, as might be supposed, not only to retard, as it certainly did, the natural accumulation of riches, but to have left the country, at the end of the period, poorer than at the beginning. Thus, in the happiest and most fortunate period of them all, that which has passed since the Restoration, how many disorders and misfortunes have occurred, which, could they have been foreseen, not only the impoverishment, but the total ruin of the country would have been expected from them? The fire and the plague of London, the two Dutch

wars, the disorders of the Revolution, the war in Ireland, the four expensive French wars of 1688, 1702, 1742, and 1756, together with the two rebellions of 1715 and 1745. In the course of the four French wars, the nation has contracted more than a hundred and forty-five millions of debt, over and above all the other extraordinary annual expense which they occasioned, so that the whole cannot be computed at less than two hundred millions. So great a share of the annual produce of the land and labour of the country, has, since the Revolution, been employed upon different occasions, in maintaining an extraordinary number of unproductive hands. But had not those wars given this particular direction to so large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whose labour would have replaced, with a profit, the whole value of their consumption. The value of the annual produce of the land and labour of the country, would have been considerably increased by it every year, and every year's increase would have augmented still more that of the following year. More houses would have been built, more lands would have been improved, and those which had been improved before would have been better cultivated, more manufactures would have been established, and those which had been established before would have been more extended ; and to what height the real wealth and revenue of the country might, by this time, have been raised, it is not perhaps very easy even to imagine.

But though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it. The annual produce of its land and labour is, undoubtedly, much greater at present than it was either at the Restoration or at the Revolution. The capital, therefore, annually employed in cultivating this land, and in maintaining this labour, must likewise be much greater. In the midst of all the exactions of government, this capital has been silently and gradually accumulated by the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition. It is this effort, protected by law and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times. England, however, as it has never been blessed with a very parsimonious government, so parsimony has at no time been the characteristical virtue of its inhabitants. It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people

with theirs. If their own extravagance does not ruin the state, that of their subjects never will.

As frugality increases, and prodigality diminishes the public capital, so the conduct of those whose expense just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expense, however, seem to contribute more to the growth of public opulence than others.

The revenue of an individual may be spent, either in things which are consumed immediately, and in which one day's expense can neither alleviate nor support that of another; or it may be spent in things more durable, which can therefore be accumulated, and in which every day's expense may, as he chooses, either alleviate or support and heighten the effect of that of the following day. A man of fortune, for example, may either spend his revenue in a profuse and sumptuous table, and in maintaining a great number of menial servants, and a multitude of dogs and horses; or contenting himself with a frugal table and few attendants, he may lay out the greater part of it in adorning his house or his country villa, in useful or ornamental buildings, in useful or ornamental furniture, in collecting books, statues, pictures; or in things more frivolous, jewels, baubles, ingenious trinkets of different kinds; or what is most trifling of all, in amassing a great wardrobe of fine clothes, like the favourite and minister of a great prince who died a few years ago. Were two men of equal fortune to spend their revenue, the one chiefly

in the one way, the other in the other, the magnificence of the person whose expense had been chiefly in durable commodities, would be continually increasing, every day's expense contributing something to support and heighten the effect of that of the following day; that of the other, on the contrary, would be no greater at the end of the period than at the beginning. The former too would, at the end of the period, be the richer man of the two. He would have a stock of goods of some kind or other, which, though it might not be worth all that it cost, would always be worth something. No trace or vestige of the expense of the latter would remain, and the effects of ten or twenty years' profusion would be as completely annihilated as if they had never existed.

As the one mode of expense is more favourable than the other to the opulence of an individual, so it is likewise to that of a nation. The houses, the furniture, the clothing of the rich, in a little time, become useful to the inferior and middling ranks of people. They are able to purchase them when their superiors grow weary of them, and the general accommodation of the whole people is thus gradually improved, when the mode of expense becomes universal among men of fortune. In countries which have long been rich, you will frequently find the inferior ranks of people in possession both of houses and furniture perfectly good and entire, but of which neither the one could have been built, nor the other have been made for their use. What was formerly

a seat of the family of Seymour, is now an inn on the Bath road. The marriage-bed of James the First of Great Britain, which his queen brought with her from Denmark, as a present fit for a sovereign to make to a sovereign, was, a few years ago, the ornament of an alehouse at Dunfermline. In some ancient cities, which either have been long stationary, or have gone somewhat to decay, you will sometimes scarce find a single house which could have been built for its present inhabitants. If you go into those houses too, you will frequently find many excellent, though antiquated pieces of furniture, which are still very fit for use, and which could as little have been made for them. Noble palaces, magnificent villas, great collections of books, statues, pictures, and other curiosities, are frequently both an ornament and an honour, not only to the neighbourhood, but to the whole country to which they belong. Versailles is an ornament and an honour to France, Stowe and Wilton to England. Italy still continues to command some sort of veneration by the number of monuments of this kind which it possesses, though the wealth which produced them has decayed, and though the genius which planned them seems to be extinguished, perhaps from not having the same employment.

The expense, too, which is laid out in durable commodities, is favourable, not only to accumulation, but to frugality. If a person should at any time exceed in it, he can easily reform without exposing himself to the censure of the public. To

reduce very much the number of his servants, to reform his table from great profusion to great frugality, to lay down his equipage after he has once set it up, are changes which cannot escape the observation of his neighbours, and which are supposed to imply some acknowledgment of preceding bad conduct. Few, therefore, of those who have once been so unfortunate as to launch out too far into this sort of expense, have afterwards the courage to reform, till ruin and bankruptcy oblige them. But if a person has, at any time, been at too great an expense in building, in furniture, in books or pictures, no imprudence can be inferred from his changing his conduct. These are things in which further expense is frequently rendered unnecessary by former expense ; and when a person stops short, he appears to do so, not because he has exceeded his fortune, but because he has satisfied his fancy.

The expense, besides, that is laid out in durable commodities, gives maintenance, commonly, to a greater number of people, than that which is employed in the most profuse hospitality. Of two or three hundred weight of provisions, which may sometimes be served up at a great festival, one-half, perhaps, is thrown to the dunghill, and there is always a great deal wasted and abused. But if the expense of this entertainment had been employed in setting to work masons, carpenters, upholsterers, mechanics, &c., a quantity of provisions of equal value, would have been distributed among a still greater number of people, who would have bought

them in penny-worths and pound weights, and not have lost nor thrown away a single ounce of them. In the one way, besides, this expense maintains productive, in the other unproductive hands. In the one way, therefore, it increases, in the other, it does not increase, the exchangeable value of the annual produce of the land and labour of the country.

I would not, however, by all this be understood to mean, that the one species of expense always betokens a more liberal or generous spirit than the other. When a man of fortune spends his revenue chiefly in hospitality, he shares the greater part of it with his friends and companions; but when he employs it in purchasing such durable commodities, he often spends the whole upon his own person, and gives nothing to any body without an equivalent. The latter species of expense, therefore, especially when directed towards frivolous objects, the little ornaments of dress and furniture, jewels, trinkets, gewgaws, frequently indicates, not only a trifling, but a base and selfish disposition. All that I mean is, that the one sort of expense, as it always occasions some accumulation of valuable commodities, as it is more favourable to private frugality, and, consequently, to the increase of the public capital, and as it maintains productive, rather than unproductive hands, conduces more than the other to the growth of public opulence.

NOTE

ON CHAPTERS I. AND III., BOOK II.

THE objects of the first and third chapters of this Book, are two ; first, to draw a marked distinction between that portion of the produce of capital and labour, which is destined for consumption without any view to further production, and that portion which is destined for productive employment ; secondly, to establish a distinction between productive and unproductive labour. For making these distinctions, much fault has been found with Adam Smith by subsequent writers, and especially by Professor McCulloch in his commentary on the *Wealth of Nations*. It will perhaps turn out upon inquiry, that those distinctions really exist ; that the two principles thus set forth by Adam Smith are sound in themselves, though in his illustrations of them he may have fallen into some serious mistakes, and though he, as well as others, have drawn from them some very erroneous conclusions.

Except amongst those very miserable races of men, who consume every day what their daily

labour produces, and who therefore never possess any stock, all nations obtain by their industry more than they can instantly consume. This is their stock. They may either consume it by degrees as revenue, or they may employ it as capital with a view to production ; or they may consume a part as revenue, and employ a part as capital. But whenever a part of stock is employed as capital, the end sought is revenue. We do not work for the mere pleasure of working ; we do not when in our senses, save for the mere pleasure of saving. Enjoyment, or the consumption of revenue, is the end of all labour and all parsimony. When, therefore, Adam Smith divides the stock of a nation into revenue and capital, he only marks a distinction which obviously exists ; he only distinguishes between that portion of stock which is set apart for fulfilling the end of all industry, or, in other words, for enjoyment, and that portion which is reserved as a means for reproducing itself, and for producing more revenue. The distinction appears to be of the highest importance, though Professor McCulloch have said of it, that it " can only serve to embarrass and obscure a subject otherwise abundantly simple."

Not only does there exist a wide difference between revenue and capital,—the difference between an end and a means,—but a nation is really wealthy, in the proper sense of the word, just in proportion to the quantity of its stock which it has been able, and is still able to set apart as revenue. Whence have come the vast number of agreeable houses in

this country, not occupied with any view to production, of parks and pleasure-gardens, of schools and theatres, of colleges and libraries; the great quantity of rich furniture, of fine pictures, and a hundred other objects which minister to enjoyment? From past revenue. Thousands of millions, it has been well observed,* have been expended in making this country more "habitable" than any in the world; more agreeable to live in. Of what did those thousands of millions consist? Of revenue; of that part of stock which was not reserved as capital. Those who expended those thousands of millions, had the pleasure of doing so; and a good part of what that expenditure produced, remains for our enjoyment. We too, in our day, have the pleasure of expending revenue, without the least view to profit, some of which leaves objects of desire that may be enjoyed by our successors. And then, looking at the present, are we a wealthy nation, only because we have large means of creating wealth, or because we can afford to expend yearly on enjoyment more than any other two nations together? Suppose for a moment that the whole of our stock had been in all past times, and still were continually reserved as capital; what a miserable people we should be; all of us engaged continually in producing what none of us should enjoy; what each of us should consume in that small quantity only, which would enable him to go on producing without

* By a writer in the *Edinburgh Review*.

a view to enjoyment. The supposition would be extravagant, if it did not serve to show that by distinguishing between capital and revenue, we find out in what way, by what process it is, that human labour conduces to happiness superior to that of the brute.

In another point of view there seems to be a great difference between revenue and capital. In the third chapter of his first book, Adam Smith has very clearly shown that production, that industry itself, is limited by the power of exchanging. Now the power of exchanging depends in great measure on the variety of objects for exchange. But if we were all engaged in producing, as we must be if our whole stock were continually reserved as capital; and if none of us expended any thing on luxuries, as must be the case if no stock were set apart as revenue; in that case, we should all want exactly the same things, and very few would be the number of things that we should want. As there would be no demand for any thing beyond mere necessities, nothing else would be produced. With so few exchanges, the grand stimulus to industry would be wanting; we should produce little, and we should have no motive for saving. One can readily perceive that a nation which was compelled to employ the whole of its stock as capital, would soon have no stock for any purpose. What, on the other hand, is the effect of expending a portion of stock as revenue? That expenditure provides a demand for the great variety of objects which are produced by

the other portion of stock. It is with a view to the ultimate expenditure of stock as revenue, that some stock is used as capital ; it is only by means of the expenditure of stock as revenue, that employment is furnished to the greater part of capital. The distinction, then, between capital and revenue, instead of "serving to embarrass and obscure a subject otherwise abundantly simple," appears to deserve far more attention than it has yet received from writers on political economy.

This very incomplete view of the subject has been suggested to me by several passages in the works of Dr. Chalmers. He contends further, that revenue for expenditure is different from capital for production, inasmuch as too large a portion of stock may be destined to act as capital, and that the only remedy for the evils which attend upon superabundance of capital, is a larger consumption of stock as revenue. Be it so, provided there were no other means of altering the proportion between capital and the field of production. But what does the proposal indicate ? It shows, that in the science of political economy, there is yet a large gap to be filled by the subject of the different *proportions* between revenue and capital.

Dr. Chalmers agrees with Professor McCulloch, in blaming Adam Smith for having distinguished between productive and unproductive labour.

"The end," he says, "of all production is consumption. The *terminus ad quem* of all labour, is

the enjoyment of those who buy its products ; whether these be material or immaterial. This last difference is surely, to all purposes of any worth or consideration, a futile one ; and it will be found, that there is an equal futility in any other difference which can be alleged betwixt them. For example, it has been said of unproductive labour, that its effect is momentary, and that all the good of it expires with the performance ; whereas the tangible thing that issues from the other, can be laid up in a shop or store-room, and be there appealed to as a solid addition to the annual wealth of the country, or recorded among the items of a national inventory. Now it is very true that when a tune is ended, there remains no equivalent for its price. But the same is true of the coat after it has been worn, or of any vendible and substantial commodity, after the consumption of it is terminated. In process of time, there remains no vestige, either of the productive or of the unproductive labour ; and, to balance the consideration, that the effect of the one is shorter-lived than the other, it should be remembered that this might be made up by the perpetuity, or frequency of the service. A suit of clothes may last with me a year ; and, during the whole of that time, I have a use and an enjoyment in the wearing of them. But, with their price, I may hire for a year, the attendance of a menial servant ; and so experience, for the same length of time, the daily benefit and convenience of his labour. And besides, in point of endurance, there is often a vast superiority

in the effects of the unproductive, over those of the productive labourer. To the physician, I may owe the continued health of a life-time—to the lawyer, the preservation of my family estate, along a line of successive generations—to the soldier, the independence of my nation for centuries—to the clergyman, the virtue of the people, and the imperishable good of their eternity. So that the effect of the one species of labour, may be as lasting as that of the other; and there is really nothing in this particular characteristic, which at all justifies the distinction that has been made of them.” * * * *

“ It would be impossible to maintain this distinction against the many examples which might be alleged in opposition to it. A manufacturer of fire-arms, by the definition in question, is a productive labourer. The soldier who uses the fire-arms, and but for whose use of them they would never have been fabricated, is an unproductive one. The cook within doors is unproductive. The confectioner out of doors, though the very same work is done by him, would be recognised and honoured as a productive labourer. Yet both impress additional value on a tangible commodity—only, in the former instance we want the shop; and so, in the hands of the cook, it is not, as in the hands of the confectioner, a vendible commodity. A singer, or even a performer on a musical instrument, is unproductive. But the maker of the instrument is a productive labourer—and should it be an instrument that can perform of itself, such as a musical automaton, then we should

have a clear addition to the wealth of the country, without the alloy or the deduction of any unproductive labourer having at all to do with it. It is thus we should imagine, that a thousand manufacturers of Æolian harps, must be regarded with all complacency by our economists, as undoubted contributors to the material produce, which, by their definition, is tantamount to the wealth of the nation. But should the demand be changed from inanimate to living music, and the thousand artificers be transformed, of consequence, into so many vocal performers—we must suppose, that at this transition a reduction of wealth has taken place, although all the labourers are as well maintained, and all the employers are better pleased than before. We have already stated, that a preacher of oral sermons is unproductive—but that, should he publish a volume of written sermons, he forthwith stands out in the capacity of a productive labourer. In short, without regard to that which is nevertheless the real *terminus ad quem* of all trade and manufactures, even the enjoyment of consumers; and without regard to the reward or maintenance of those who are engaged in them, for the maintenance is in every way as liberal, whether they are employed in the capacity of productive or unproductive labourers—this definition proceeds on some mysterious virtue which is figured in residing in the mere vehicle of the enjoyment. Unless that vehicle be a piece of matter, wealth, and all the blessings of which the term is comprehensive, are conceived to be somehow impaired by it. In a word, they cannot conceive how wealth should be in

anything, unless it be a something which the hand can handle. Without this, all is unsubstantial in their eyes. And though, by one mode of expenditure, health, and security, and virtue, and education, and justice, and science, are purchased for the community, at the hands of so many unproductive labourers; yet if, by another mode of expenditure, other blessings, however inferior, but unlike to these, laid up in packages or bales of merchandise, are purchased from the hands of productive labourers—economists there are, both in and out of parliament, whose whole philosophy would enjoin them a contempt for the airy nothings, and a longing appetency for the bales."

This argument is conclusive, in as far as it shows the fallacy of the distinction between productive and unproductive, as set forth by Adam Smith; and it is equally conclusive against the view of the subject taken by Professor McCulloch, who holds that such labour is unproductive as does not "occasion, either directly or indirectly, the production of the same quantity of equally valuable products with those that were expended in carrying them on." Nevertheless, some such distinction as that drawn by Adam Smith, appears to be the necessary consequence of a distinction between capital and revenue,—between the productive and unproductive consumption of stock.

All labour is productive of some advantage or enjoyment. A part of revenue gives occasion to labour, of which the result is tangible advantages; a part, to labour of which the result is not tangible, such as

the services of domestics, or physicians, or singers. Whether the product of such labour be tangible or not, the enjoyment is the same ; and the distinction, therefore, between tangible and non-tangible, is of no sort of consequence. But all the labour to which the expenditure of revenue gives occasion, has for object, the enjoyment, and nothing but the enjoyment, of the owners of revenue. The products or results of that labour, are of a perishable nature ; they are not intended, nor are they fit, to be used in producing similar results ; they are intended, and they are fit, only to be enjoyed and consumed. They may, perhaps, be termed results for enjoyment, or unproductive results.

On the other hand, if no portion of stock were ever devoted to expenditure, if all stock were used as capital, labour would have to perform one function only : maintained by capital, it would have to reproduce capital. In that case, all the results of labour would be intended, and would be fit for producing similar results. But when a portion of stock is expended as revenue, when there is a demand for those results of labour which minister to enjoyment only, then labour performs two functions : it reproduces capital, or that which may be again used for production ; and it also produces results for mere enjoyment or unproductive results. All labour is productive of some beneficial result ; but while some of the results of labour are productive, others are unproductive. It is to the results of labour, and not to the labour, that we must look, in following out the distinction between revenue and capital,—be-

tween the productive and unproductive consumption of stock.

Allowing that the expenditure of stock as revenue, gives occasion to labour of which the results are unproductive, it by no means follows that such expenditure is injurious. On the contrary, since it is the unproductive results of labour which alone are enjoyed, the greater the quantity of those results, the better—the more stock we expend as revenue, the better—provided we do not trench upon that capital from which our whole stock is derived. As with individuals, so with nations. A man is the richer and happier, not for what he can keep, but for what he can spend; though if he would continue to spend, he must take care to maintain the source of his revenue. Adam Smith arrives at a different conclusion. He would give us to understand, that the greatest miser is the best, and ought therefore to be the happiest individual; and that the grand object of political economy, is to increase the productive, by diminishing the unproductive consumption of nations. Dr. Chalmers suggests that he was misled, as he has certainly misled others, by the misapplication of an epithet. Had he seen that all labour is productive of some benefit, and that the unproductive results of labour are exactly those which we enjoy—exactly those which it is the end of all labour to produce,—he would not have painted parsimony in such glowing colours, nor have represented expenditure in so ugly a form.

CHAPTER IV.

Of Stock lent at Interest.

THE stock which is lent at interest is always considered as a capital by the lender. He expects that in due time it is to be restored to him, and that in the mean time the borrower is to pay him a certain annual rent for the use of it. The borrower may use it either as a capital, or as a stock reserved for immediate consumption. If he uses it as a capital, he employs it in the maintenance of productive labourers, who re-produce the value with a profit. He can, in this case, both restore the capital and pay the interest without alienating or encroaching upon any other source of revenue. If he uses it as a stock reserved for immediate consumption, he acts the part of a prodigal, and dissipates in the maintenance of the idle, what was destined for the support of the industrious. He can, in this case, neither restore the capital nor pay the interest, without either alienating or encroaching upon some other source of revenue, such as the property or the rent of land.

The stock which is lent at interest is, no doubt, occasionally employed in both these ways, but in the former much more frequently than in the latter.

The man who borrows in order to spend will soon be ruined, and he who lends to him will generally have occasion to repent of his folly. To borrow or to lend for such a purpose, therefore, is in all cases, where gross usury is out of the question, contrary to the interest of both parties; and though it no doubt happens sometimes that people do both the one and the other; yet, from the regard that all men have for their own interest, we may be assured, that it cannot happen so very frequently as we are sometimes apt to imagine. Ask any rich man of common prudence, to which of the two sorts of people he has lent the greater part of his stock, to those who, he thinks, will employ it profitably, or to those who will spend it idly, and he will laugh at you for proposing the question. Even among borrowers, therefore, not the people in the world most famous for frugality, the number of the frugal and industrious surpasses considerably that of the prodigal and idle.

The only people to whom stock is commonly lent, without their being expected to make any very profitable use of it, are country gentlemen who borrow upon mortgage. Even they scarce ever borrow merely to spend. What they borrow, one may say, is commonly spent before they borrow it. They have generally consumed so great a quantity of goods, advanced to them upon credit by shopkeepers and tradesmen, that they find it necessary to borrow at interest in order to pay the debt. The capital borrowed replaces the capitals of those shopkeepers

and tradesmen, which the country gentlemen could not have replaced from the rents of their estates. It is not properly borrowed in order to be spent, but in order to replace a capital which had been spent before.

Almost all loans at interest are made in money, either of paper, or of gold and silver. But what the borrower really wants, and what the lender readily supplies him with, is not the money, but the money's worth, or the goods which it can purchase. If he wants it as a stock for immediate consumption, it is those goods only which he can place in that stock. If he wants it as a capital for employing industry, it is from those goods only that the industrious can be furnished with the tools, materials, and maintenance, necessary for carrying on their work. By means of the loan, the lender, as it were, assigns to the borrower his right to a certain portion of the annual produce of the land and labour of the country, to be employed as the borrower pleases.

The quantity of stock, therefore, or, as it is commonly expressed, of money which can be lent at interest in any country, is not regulated by the value of the money, whether paper or coin, which serves as the instrument of the different loans made in that country, but by the value of that part of the annual produce, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined not only for replacing a capital, but such a capital as the owner does not care to be at the trouble of employing himself. As such capitals are

commonly lent out and paid back in money, they constitute what is called the monied interest. It is distinct, not only from the landed, but from the trading and manufacturing interests, as in these last the owners themselves employ their own capitals. Even in the monied interest, however, the money is, as it were, but the deed of assignment, which conveys from one hand to another those capitals which the owners do not care to employ themselves. Those capitals may be greater in almost any proportion, than the amount of the money which serves as the instrument of their conveyance ; the same pieces of money successively serving for many different loans, as well as for many different purchases. A, for example, lends to W a thousand pounds, with which W immediately purchases of B a thousand pounds' worth of goods. B having no occasion for the money himself, lends the identical pieces to X, with which X immediately purchases of C another thousand pounds' worth of goods. C in the same manner, and for the same reason, lends them to Y, who again purchases goods with them of D. In this manner the same pieces, either of coin or of paper, may, in the course of a few days, serve as the instrument of three different loans, and of three different purchases, each of which is, in value, equal to the whole amount of those pieces. What the three monied men A, B, and C, assign to the three borrowers, W, X, Y, is the power of making those purchases. In this power consist both the value and the use of the loans. The stock lent by the three

monied men is equal to the value of the goods which can be purchased with it, and is three times greater than that of the money with which the purchases are made. Those loans, however, may be all perfectly well secured, the goods purchased by the different debtors being so employed, as in due time to bring back, with a profit, an equal value either of coin or of paper. And as the same pieces of money can thus serve as the instrument of different loans to three, or, for the same reason, to thirty times their value, so they may likewise successively serve as the instrument of repayment.

A capital lent at interest may, in this manner, be considered as an assignment from the lender to the borrower of a certain considerable portion of the annual produce; upon condition that the borrower in return shall, during the continuance of the loan, annually assign to the lender a smaller portion, called the interest; and at the end of it, a portion equally considerable with that which had originally been assigned to him, called the repayment. Though money, either coin or paper, serves generally as the deed of assignment both to the smaller, and to the more considerable portion, it is itself altogether different from what is assigned by it.

In proportion as that share of the annual produce which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, increases in any country, what is called the monied interest naturally increases with it. The increase of those particular

capitals from which the owners wish to derive a revenue, without being at the trouble of employing them themselves, naturally accompanies the general increase of capitals; or, in other words, as stock increases, the quantity of stock to be lent at interest grows gradually greater and greater.

As the quantity of stock to be lent at interest increases, the interest, or the price which must be paid for the use of that stock, necessarily diminishes, not not only from those general causes which make the market price of things commonly diminish as their quantity increases, but from other causes which are peculiar to this particular case. As capitals increase in any country, the profits which can be made by employing them necessarily diminish. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. There arises in consequence a competition between different capitals, the owner of one endeavouring to get possession of that employment which is occupied by another. But upon most occasions he can hope to jostle that other out of this employment, by no other means but by dealing upon more reasonable terms. He must not only sell what he deals in somewhat cheaper, but in order to get it to sell, he must sometimes too buy it dearer. The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find employment, but the owners of capitals find it difficult to get labourers to employ. Their compe-

tition raises the wages of labour, and sinks the profits of stock. But when the profits which can be made by the use of a capital are in this manner diminished, as it were, at both ends, the price which can be paid for the use of it, that is, the rate of interest, must necessarily be diminished with them.

Mr. Locke, Mr. Law, and Mr. Montesquieu, as well as many other writers, seem to have imagined that the increase of the quantity of gold and silver, in consequence of the discovery of the Spanish West Indies, was the real cause of the lowering of the rate of interest through the greater part of Europe. Those metals, they say, having become of less value themselves, the use of any particular portion of them necessarily became of less value too, and consequently the price which could be paid for it. This notion, which at first sight seems so plausible, has been so fully exposed by Mr. Hume, that it is, perhaps, unnecessary to say any thing more about it. The following very short and plain argument, however, may serve to explain more distinctly the fallacy which seems to have misled those gentlemen.

Before the discovery of the Spanish West Indies, ten per cent. seems to have been the common rate of interest through the greater part of Europe. It has since that time in different countries sunk to six, five, four, and three per cent. Let us suppose that in every particular country the value of silver has sunk precisely in the same proportion as the rate of interest; and that in those countries, for example, where interest has been reduced from ten to five per

cent., the same quantity of silver can now purchase just half the quantity of goods which it could have purchased before. This supposition will not, I believe, be found anywhere agreeable to the truth, but it is the most favourable to the opinion which we are going to examine; and even upon this supposition it is utterly impossible that the lowering of the value of silver could have the smallest tendency to lower the rate of interest. If a hundred pounds are in those countries now of no more value than fifty pounds were then, ten pounds must now be of no more value than five pounds were then. Whatever were the causes which lowered the value of the capital, the same must necessarily have lowered that of the interest, and exactly in the same proportion. The proportion between the value of the capital and that of the interest must have remained the same, though the rate had never been altered. By altering the rate, on the contrary, the proportion between those two values is necessarily altered. If a hundred pounds now are worth no more than fifty were then, five pounds now can be worth no more than two pounds ten shillings were then. By reducing the rate of interest, therefore, from ten to five per cent., we give for the use of a capital, which is supposed to be equal to one half of its former value, an interest which is equal to one-fourth only of the value of the former interest.

Any increase in the quantity of silver, while that of the commodities circulated by means of it remained the same, could have no other effect than to

diminish the value of that metal. The nominal value of all sorts of goods would be greater, but their real value would be precisely the same as before. They would be exchanged for a greater number of pieces of silver; but the quantity of labour which they could command, the number of people whom they could maintain and employ, would be precisely the same. The capital of the country would be the same, though a greater number of pieces might be requisite for conveying any equal portion of it from one hand to another. The deeds of assignment, like the conveyances of a verbose attorney, would be more cumbersome, but the thing assigned would be precisely the same as before, and could produce only the same effects. The funds for maintaining productive labour being the same, the demand for it would be the same. Its price or wages, therefore, though nominally greater, would really be the same. They would be paid in a greater number of pieces of silver; but they would purchase only the same quantity of goods. The profits of stock would be the same both nominally and really. The wages of labour are commonly computed by the quantity of silver which is paid to the labourer. When that is increased, therefore, his wages appear to be increased, though they may sometimes be no greater than before. But the profits of stock are not computed by the number of pieces of silver with which they are paid, but by the proportion which those pieces bear to the whole capital employed. Thus in a particular country five shil-

lings a week are said to be the common wages of labour, and ten per cent. the common profits of stock. But the whole capital of the country being the same as before, the competition between the different capitals of individuals into which it was divided would likewise be the same. They would all trade with the same advantages and disadvantages. The common proportion between capital and profit, therefore, would be the same, and consequently the common interest of money; what can commonly be given for the use of money being necessarily regulated by what can commonly be made by the use of it.

Any increase in the quantity of commodities annually circulated within the country, while that of the money which circulated them remained the same, would, on the contrary, produce many other important effects, besides that of raising the value of the money. The capital of the country, though it might nominally be the same, would really be augmented. It might continue to be expressed by the same quantity of money, but it would command a greater quantity of labour. The quantity of productive labour which it could maintain and employ would be increased, and consequently the demand for that labour. Its wages would naturally rise with the demand, and yet might appear to sink. They might be paid with a smaller quantity of money, but that smaller quantity might purchase a greater quantity of goods than a greater had done before. The profits of stock would be diminished both really

and in appearance. The whole capital of the country being augmented, the competition between the different capitals of which it was composed would naturally be augmented along with it. The owners of those particular capitals would be obliged to content themselves with a smaller proportion of the produce of that labour which their respective capitals employed. The interest of money, keeping pace always with the profits of stock, might, in this manner, be greatly diminished, though the value of money, or the quantity of goods which any particular sum could purchase, was greatly augmented.

In some countries the interest of money has been prohibited by law. But as something can everywhere be made by the use of money, something ought everywhere to be paid for the use of it. This regulation, instead of preventing, has been found from experience to increase the evil of usury; the debtor being obliged to pay, not only for the use of the money, but for the risk which his creditor runs by accepting a compensation for that use. He is obliged, if one may say so, to insure his creditor from the penalties of usury.

In countries where interest is permitted, the law, in order to prevent the extortion of usury, generally fixes the highest rate which can be taken without incurring a penalty. This rate ought always to be somewhat above the lowest market price, or the price which is commonly paid for the use of money by those who can give the most undoubted security. If this legal rate should be fixed below the lowest

market rate, the effects of this fixation must be nearly the same as those of a total prohibition of interest. The creditor will not lend his money for less than the use of it is worth, and the debtor must pay him for the risk which he runs by accepting the full value of that use. If it is fixed precisely at the lowest market price, it ruins with honest people, who respect the laws of their country, the credit of all those who cannot give the very best security, and obliges them to have recourse to exorbitant usurers. In a country, such as Great Britain, where money is lent to government at three per cent. and to private people upon good security at four, and four and a half, the present legal rate, five per cent., is, perhaps, as proper as any.

The legal rate, it is to be observed, though it ought to be somewhat above, ought not to be much above the lowest market rate. If the legal rate of interest in Great Britain, for example, was fixed so high as eight or ten per cent., the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high interest. Sober people, who will give for the use of money no more than a part of what they are likely to make by the use of it, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands which were most likely to make a profitable and advantageous use of it, and thrown into those which were most likely to waste and destroy it. Where the legal rate of interest, on

the contrary, is fixed but a very little above the lowest market rate, sober people are universally preferred, as borrowers, to prodigals and projectors. The person who lends money gets nearly as much interest from the former as he dares to take from the latter, and his money is much safer in the hands of the one set of people than in those of the other. A great part of the capital of the country is thus thrown into the hands in which it is most likely to be employed with advantage.

No law can reduce the common rate of interest below the lowest ordinary market rate at the time when that law is made. Notwithstanding the edict of 1766, by which the French king attempted to reduce the rate of interest from five to four per cent., money continued to be lent in France at five per cent., the law being evaded in several different ways.

The ordinary market price of land, it is to be observed, depends everywhere upon the ordinary market rate of interest. The person who has a capital from which he wishes to derive a revenue, without taking the trouble to employ it himself, deliberates whether he should buy land with it, or lend it out at interest. The superior security of land, together with some other advantages which almost everywhere attend upon this species of property, will generally dispose him to content himself with a smaller revenue from land, than what he might have by lending out his money at interest. These advantages are sufficient to compensate a

certain difference of revenue ; but they will compensate a certain difference only ; and if the rent of land should fall short of the interest of money by a greater difference, nobody would buy land, which would soon reduce its ordinary price. On the contrary, if the advantages should much more than compensate the difference, every body would buy land, which again would soon raise its ordinary price.* When interest was at ten per cent., land was commonly sold for ten or twelve years' purchase. As interest sunk to six, five, and four per cent., the price of land rose to twenty, five-and-twenty, and thirty years' purchase. The market rate of interest is higher in France than in England, and the common price of land is lower. In England it commonly sells at thirty, in France at twenty years' purchase.

* The rate of interest can have no effect on the price of land, except as the number of years' purchase is thereby determined ; and the amount of rent does not influence in any degree the number of years' purchase.—E.

NOTE

ON CHAPTER IV., BOOK II.

IN this chapter, Adam Smith, with singular inconsistency, appears as the advocate of restraint, by the authority of government, on the making of bargains between individuals. He became aware, however, of his error, and acknowledged it. The fourth edition of the *Wealth of Nations*, being the last that was revised by the author, was printed in 1786. It was in the following year, that Mr. Bentham wrote his celebrated *Defence of Usury*, together with a letter to Adam Smith, on the *Discouragement opposed by Laws against Usury, to the Progress of Inventive Industry*. After having read that letter, Adam Smith, as we are informed by the editor of Bentham's *Rationale of Reward*, "declared to a gentleman, the common friend of the two authors, that he had been deceived ; and with the tidings of his death, Mr. Bentham received a copy of his works, which had been sent to him as a token of esteem." There can be no doubt, then, that if Adam Smith had lived to revise another edition of his book, this chapter would have been greatly altered.

Bentham's masterly *Defence of Usury* is, as he says himself, a defence of "the liberty of making

one's own terms in money bargains"; of that liberty, with respect to money bargains, which, with respect to all other sorts of bargains, Adam Smith never fails to defend. With a single exception, it exposes to contempt every pretence of benefit to be derived from laws against usury, and every evil which results from such laws. The pretence of benefit from usury laws, which it does not annihilate, is that of discouragement of projectors; the evil from usury laws, which it does not lay bare, is that of discouragement to the progress of inventive industry. These parts of his subject Mr. Bentham treats of in his letter to Adam Smith, who, in the present chapter, has defended usury laws on the ground that they discourage projectors, and, of course, industrious projects. That letter, then, may be said to belong to the present chapter. I therefore reprint it entire, conceiving that it could not be placed in a fitter situation, than that which I have assigned to it, by the side of the erroneous opinions which it corrects.

‘ SIR,

‘ I forget what son of controversy it was, among the
‘ Greeks, who having put himself to school to a pro-
‘ fessor of eminence, to learn what, in those days,
‘ went by the name of wisdom, chose an attack upon
‘ his master for the first public specimen of his pro-
‘ ficiency. This specimen, whatever entertainment it
‘ might have afforded to the audience, afforded, it
‘ may be supposed, no great satisfaction to the mas-

‘ter: for the thesis was, that the pupil owed him
‘nothing for his pains. For my part, being about
‘to shew myself, in one respect, as ungrateful as the
‘Greek, it may be a matter of prudence for me to
‘look out for something like candour, by way of
‘covering to my ingratitude: instead therefore of
‘pretending to owe you nothing, I shall begin with
‘acknowledging, that, as far as your track coincides
‘with mine, I should come much nearer the truth,
‘were I to say I owed you everything. Should it
‘be my fortune to gain any advantage over you, it
‘must be with weapons which you have taught me
‘to wield, and with which you yourself have fur-
‘nished me: for, as all the great standards of truth;
‘which can be appealed to in this line, owe, as far as
‘I can understand, their establishment to you, I can
‘see scarce any other way of convicting you of any
‘error or oversight, than by judging you out of your
‘own mouth.

‘In the series of letters to which this will form a
‘sequel, I had travelled nearly thus far in my re-
‘searches into the policy of the laws fixing the rate
‘of interest, combating such arguments as fancy
‘rather than observation had suggested to my view,
‘when, on a sudden, recollection presented me with
‘your formidable image, bestriding the ground over
‘which I was travelling pretty much at my ease, and
‘opposing the shield of your authority to any argu-
‘ments I could produce.

‘It was a reflection mentioned by Cicero as afford-
‘ing him some comfort, that the employment his

‘ talents till that time had met with, had been chiefly
‘ on the defending side. How little soever blest, on
‘ any occasion, with any portion of his eloquence, I
‘ may, on the present occasion, however, indulge
‘ myself with a portion of what constituted his com-
‘ fort : for, if I presume to contend with you, it is
‘ only in defence of what I look upon as, not only an
‘ innocent, but a most meritorious race of men, who
‘ are so unfortunate as to have fallen under the rod
‘ of your displeasure. I mean *projectors* ; under
‘ which invidious name I understand you to compre-
‘ hend, in particular, all such persons as, in the pur-
‘ suit of wealth, strike out into any new channel, and
‘ more especially into any channel of invention.

‘ It is with the professed view of checking, or
‘ rather of crushing, these adventurous spirits, whom
‘ you rank with “ prodigals,” that you approve of the
‘ laws which limit the rate of interest, grounding
‘ yourself on the tendency they appear to you to have,
‘ to keep the capital of the country out of two such
‘ different sets of hands.

‘ The passage I am speaking of is in the fourth
‘ chapter of your second book. “ The legal rate”
‘ (you say) “ it is to be observed, though it ought to
‘ “ be somewhat above, ought not to be much above
‘ “ the lowest market rate. If the legal rate of in-
‘ “ terest in Great Britain, for example, was fixed so
‘ “ high as eight or ten per cent., the greater part of
‘ “ the money which was to be lent, would be lent to
‘ “ prodigals and projectors, who alone would be
‘ “ willing to give this high interest. Sober people,

‘ “ who will give for the use of money no more than
‘ “ a part of what they are likely to make by the use
‘ “ of it, would not venture into the competition. A
‘ “ great part of the capital of the country would
‘ “ thus be kept out of the hands which were most
‘ “ likely to make a profitable and advantageous use
‘ “ of it, and thrown into those which were most
‘ “ likely to waste and destroy it. Where the legal
‘ “ interest, on the contrary, is fixed but a very little
‘ “ above the lowest market rate, sober people are
‘ “ universally preferred as borrowers, to prodigals
‘ “ and projectors. The person who lends money,
‘ “ gets nearly as much interest from the former, as
‘ “ he dares to take from the latter, and his money is
‘ “ much safer in the hands of the one set of people,
‘ “ than in those of the other. A great part of the
‘ “ capital of the country is thus thrown into the
‘ “ hands in which it is most likely to be employed
‘ “ with advantage.”

‘ It happens fortunately for the side you appear
‘ to have taken, and as unfortunately for mine, that
‘ the appellative, which the custom of the language
‘ has authorised you, and which the poverty and
‘ perversity of the language has in a manner forced
‘ you, to make use of, is one, which, along with the
‘ idea of the sort of persons in question, conveys the
‘ idea of reprobation, as indiscriminately and de-
‘ servedly applied to them. With what justice or
‘ consistency, or by the influence of what causes, this
‘ stamp of indiscriminate reprobation has been thus
‘ affixed, it is not immediately necessary to inquire.

‘ But, that it does stand thus affixed, you and every
‘ body else, I imagine, will be ready enough to allow.
‘ This being the case, the question stands already de-
‘ cided, in the first instance at least, if not irre-
‘ vocably, in the judgments of all those, who, unable
‘ or unwilling to be at the pains of analyzing their
‘ ideas, suffer their minds to be led captive by the
‘ tyranny of sounds : that is, I doubt, of by far the
‘ greater proportion of those whom we are likely to
‘ have to judge us. In the conceptions of all such
‘ persons, to ask whether it be fit to restrain projects
‘ and projectors, will be as much as to ask, whether
‘ it be fit to restrain rashness, and folly, and ab-
‘ surdity, and knavery, and waste.

‘ Of prodigals I shall say no more at present. I
‘ have already stated my reasons for thinking, that
‘ it is not among them that we are to look for the
‘ natural customers for money at high rates of in-
‘ terest. As far as those reasons are conclusive, it
‘ will follow, that, of the two sorts of men you men-
‘ tion as proper objects of the burthen of these re-
‘ straints, prodigals and projectors, that burthen falls
‘ exclusively on the latter. As to these, what your
‘ definition is of projectors, and what descriptions of
‘ persons you meant to include under the censure
‘ conveyed by that name, might be material for the
‘ purpose of judging of the propriety of that censure,
‘ but makes no difference in judging of the propriety
‘ of the law, which that censure is employed to
‘ justify. Whether you yourself, were the several
‘ classes of persons made to pass before you in re-

‘ view, would be disposed to pick out this or that
‘ class, or this and that individual, in order to exempt
‘ them from such censure, is what for that purpose
‘ we have no need to inquire. The law, it is certain,
‘ makes no such distinctions: it falls with equal
‘ weight, and with all its weight, upon all those
‘ persons, without distinction, to whom the term *pro-*
‘ *jectors*, in the most impartial and extensive signifi-
‘ cation of which it is capable, can be applied. It
‘ falls, at any rate (to repeat some of the words of
‘ my former definition), upon all such persons, as,
‘ in the pursuit of wealth, or even of any other ob-
‘ ject, endeavour, by the assistance of wealth, to
‘ strike into any channel of invention. It falls upon
‘ all such persons, as, in the cultivation of any of
‘ those arts which have been by way of eminence
‘ termed *useful*, direct their endeavours to any of
‘ those departments in which their utility shines most
‘ conspicuous and indubitable; upon all such per-
‘ sons as, in the line of any of their pursuits, aim at
‘ any thing that can be called *improvement*; whether
‘ it consist in the production of any new article
‘ adapted to man’s use, or in the meliorating the
‘ quality, or diminishing the expense, of any of those
‘ which are already known to us. It falls, in short,
‘ upon every application of the human powers, in
‘ which ingenuity stands in need of wealth for its
‘ assistant.

‘ High and extraordinary rates of interest, how
‘ little soever adapted to the situation of the prodigal,
‘ are certainly, as you very justly observe, particu-

‘ larly adapted to the situation of the projector : not
‘ however to that of the imprudent projector only,
‘ nor even to his case more than another’s, but to that
‘ of the prudent and well-grounded projector, if the
‘ existence of such a being were to be supposed.
‘ Whatever be the prudence or other qualities of the
‘ project, in whatever circumstance the novelty of it
‘ may lie, it has this circumstance against it, viz.
‘ that it is new. But the rates of interest, the
‘ highest rates allowed, are, as you expressly say
‘ they are, and as you would have them to be, ad-
‘ justed to the situation which the sort of trader is
‘ in, whose trade runs in the old channels, and to the
‘ best security which such channels can afford. But
‘ in the nature of things, no new trade, no trade
‘ carried on in any new channel, can afford a security
‘ equal to that which may be afforded by a trade
‘ carried on in any of the old ones : in whatever light
‘ the matter might appear to perfect intelligence, in
‘ the eye of every prudent person, exerting the best
‘ powers of judging which the fallible condition of
‘ the human faculties affords, the novelty of any
‘ commercial adventure will oppose a chance of ill
‘ success, superadded to every one which could attend
‘ the same, or any other adventure, already tried, and
‘ proved to be profitable by experience.

‘ The limitation of the profit that is to be made,
‘ by lending money to persons embarked in trade,
‘ will render the monied man more anxious, you may
‘ say, about the goodness of his security, and accord-
‘ ingly more anxious to satisfy himself respecting the

' prudence of a project in the carrying on of which
' the money is to be employed, than he would be
' otherwise : and in this way it may be thought that
' these laws *have* a tendency to pick out the good pro-
' jects from the bad, and favour the former at the
' expense of the latter. The first of these positions
' I admit : but I can never admit the consequence to
' follow. A prudent man, (I mean nothing more
' than a man of ordinary prudence) a prudent man
' acting under the sole governance of prudential
' motives, I still say, will not, in these circumstances,
' pick out the good projects from the bad, for he will
' not meddle with projects at all. He will pick out
' old-established trades from all sorts of projects,
' good and bad ; for with a new project, be it ever so
' promising, he never will have any thing to do. By
' every man that has money, five per cent. or what-
' ever be the highest legal rate, is at all times, and
' always will be, to be had upon the very best se-
' curity, that the best and most prosperous old-esta-
' blished trade can afford. Traders in general, I
' believe, it is commonly understood, are well enough
' inclined to enlarge their capital, as far as all the
' money they can borrow at the highest legal rate,
' while that rate is so low as five per cent., will en-
' large it. How it is possible, therefore, for a pro-
' ject, be it ever so promising, to afford, to a lender
' at any such rate of interest, terms equally advan-
' tageous, upon the whole, with those he might be
' sure of obtaining from an old-established business,

‘ is more than I can conceive. Loans of money may
‘ certainly chance, now and then, to find their way
‘ into the pockets of projectors as well as of other
‘ men : but when this happens, it must be through
‘ incautiousness, or friendship, or the expectation of
‘ some collateral benefit, and not through any idea
‘ of the advantageousness of the transaction, in the
‘ light of a pecuniary bargain.

‘ I should not expect to see it alleged, that there
‘ is any thing, that should render the number of
‘ well-grounded projects, in comparison of the ill-
‘ grounded, less in time future, than it has been in
‘ time past. I am sure at least that I know of no
‘ reasons why it should be so, though I know of some
‘ reasons, which I shall beg leave to submit to you
‘ by and by, which appear to me pretty good ones,
‘ why the advantage should be on the side of futurity.
‘ But, unless the stock of well-grounded projects is
‘ already spent, and the whole stock of ill-grounded
‘ projects that ever were possible, are to be looked for
‘ exclusively in the time to come, the censure you
‘ have passed on projectors, measuring still the ex-
‘ tent of it by that of the operation of the laws in the
‘ defence of which it is employed, looks as far back-
‘ ward as forward : it condemns as rash and ill-
‘ grounded, all those projects, by which our species
‘ have been successively advanced from that state in
‘ which acorns were their food, and raw hides their
‘ clothing, to the state in which it stands at present :
‘ for think, Sir, let me beg of you, whether whatever

‘ is now the *routine* of trade was not, at its commencement, *project*? whether whatever is now *establishment*, was not, at one time, *innovation*?

‘ How it is that the tribe of well-grounded projects, and of prudent projectors (if by this time I may have your leave for applying this epithet to some at least among the projectors of time past), have managed to struggle through the obstacles which the laws in question have been holding in their way, it is neither easy to know, nor necessary to inquire. Manifest enough, I think, it must be by this time, that difficulties, and those not inconsiderable ones, those laws must have been holding up, in the way of projects of all sorts of improvement (if I may say so) in every line, so long as they have had existence : reasonable therefore it must be to conclude, that, had it not been for these discouragements, projects of all sorts, well-grounded and successful ones, as well as others, would have been more numerous than they have been ; and that accordingly, on the other hand, as soon, if ever, as these discouragements shall be removed, projects of all sorts, and among the rest, well-grounded and successful ones, will be more numerous than they would otherwise have been : in short, that, as, without these discouragements, the progress of mankind in the career of prosperity would have been greater than it has been under them in time past ; so, were they to be removed, it would be at least proportionably greater in time future.

‘ That I had done you no injustice, in assigning
‘ to your idea of projectors so great a latitude, and
‘ that the unfavourable opinion you have professed
‘ to entertain of them is not confined to the above
‘ passage, might be made, I think, pretty apparent,
‘ if it be material, by another passage in the tenth
‘ chapter of your first book. “The establishment
‘ “ of any new manufacture, of any new branch of
‘ “ commerce, or of any new practice in agricul-
‘ “ ture”, all these you comprehend by name under
‘ the list of “*projects*” : of every one of them you
‘ observe, that “it is a speculation from which the
‘ “ *projector* promises himself extraordinary profits.
‘ “ These profits (you add) are sometimes *very great*,
‘ “ and sometimes, *more frequently perhaps*, they
‘ “ are quite otherwise ; but in general they bear no
‘ “ regular proportion to those of other old trades in
‘ “ the neighbourhood. If the project succeeds,
‘ “ they are commonly at first very high. When
‘ “ the trade or practice becomes thoroughly esta-
‘ “ blished and well known, the competition reduces
‘ “ them to the level of other trades.” But on this
‘ head I forbear to insist : nor should I have taken
‘ this liberty of giving you back your own words,
‘ but in the hope of seeing some alteration made in
‘ them in your next edition, should I be fortunate
‘ enough to find my sentiments confirmed by yours.
‘ In other respects, what is essential to the public,
‘ is, what the error is in the sentiments entertained,
‘ not who it is that entertains them.

‘ I know not whether the observations which I

‘ have been troubling you with will be thought to
‘ need, or whether they will be thought to receive,
‘ any additional support from those comfortable
‘ positions, of which you have made such good and
‘ such frequent use, concerning the constant ten-
‘ dency of mankind to get forward in the career of
‘ prosperity, the prevalence of prudence over impru-
‘ dence, in the sum of private conduct at least, and
‘ the superior fitness of individuals for managing
‘ their own pecuniary concerns, of which they know
‘ the particulars and the circumstances, in com-
‘ parison of the legislator, who can have no such
‘ knowledge. I will make the experiment: for, so
‘ long as I have the mortification to see you on the
‘ opposite side, I can never think the ground I have
‘ taken strong enough, while anything remains that
‘ appears capable of rendering it still stronger.

‘ “ With regard to misconduct, the number of
‘ “ prudent and successful undertakings” (you
‘ observe*) “ is everywhere much greater than that
‘ “ of injudicious and unsuccessful ones. After all
‘ “ our complaints of the frequency of bankruptcies,
‘ “ the unhappy men who fall into this misfortune
‘ “ make but a very small part of the whole number
‘ “ engaged in trade, and all other sorts of business;
‘ “ not much more perhaps than one in a thousand.”

‘ ’Tis in support of this position that you appeal
‘ to history for the constant and uninterrupted
‘ progress of mankind, in our island at least, in the

* B. II., ch. iii.

‘ career of prosperity : calling upon any one who
‘ should entertain a doubt of the fact, to divide the
‘ history into any number of periods, from the time of
‘ Cæsar’s visit down to the present : proposing for
‘ instance the respective æras of the Restoration,
‘ the Accession of Elizabeth, that of Henry VII., the
‘ Norman Conquest, and the Heptarchy ; and putting
‘ it to the sceptic to find out, if he can, among all
‘ these periods, any one at which the condition of
‘ the country was not more prosperous than at the
‘ period immediately preceding it : spite of so many
‘ wars, and fires, and plagues, and all other public
‘ calamities, with which it has been at different
‘ times afflicted, whether by the hand of God, or by
‘ the misconduct of the sovereign. No very easy
‘ task, I believe : the fact is too manifest for the
‘ most jaundiced eye to escape seeing it :—But
‘ what and whom are we to thank for it, but projects,
‘ and projectors ?

“ No,” I think I hear you saying, “ I will not
“ thank projectors for it, I will rather thank the
“ laws, which, by fixing the rates of interest, have
“ been exercising their vigilance in repressing the
“ temerity of projectors, and preventing their im-
“ prudence from making those defalcations from
“ the sum of national prosperity, which it would
“ not have failed to make, had it been left free.
“ If, during all these periods, that adventurous
“ race of men had been left at liberty by the laws
“ to give full scope to their rash enterprises, the
“ increase of national prosperity during these

“ periods might have afforded some ground for
“ regarding them in a more favourable point of
“ view. But the fact is, that their activity has
“ had these laws to check it ; without which checks
“ you must give me leave to suppose, that the
“ current of prosperity, if not totally stopt, or
“ turned the other way, would at any rate have
“ been more or less retarded. Here then” (you
“ conclude) “ lies the difference between us. What
“ you look upon as the cause of the increase about
“ which we are both agreed, I look upon as an
“ obstacle to it : and what you look upon as the
“ obstacle, I look upon as the cause.”

‘ Instead of starting this as a sort of plea that
‘ might be urged by you, I ought, perhaps, rather
‘ to have mentioned it as what might be urged by
‘ some people in your place: for as I do not imagine
‘ your penetration would suffer you to rest satisfied
‘ with it, still less can I suppose that, if you were
‘ not, your candour would allow you to make use of
‘ it as if you were.

‘ To prevent your resting satisfied with it, the
‘ following considerations would, I think, be suffi-
‘ cient.

‘ In the first place, of the seven periods which
‘ you have pitched upon, as so many stages for the
‘ eye to rest at in viewing the progress of prosperity,
‘ it is only during the three last, that the country
‘ has had the benefit, if such we are to call it, of
‘ these laws : for it is to the reign of Henry VIII.
‘ that we owe the first of them.

‘ Here a multitude of questions might be started :
‘ Whether the curbing of projectors formed any part
‘ of the design of that first statute, or whether the
‘ views of it were not only confined to the reducing
‘ the gains of that obnoxious and envied class of
‘ men, the money-lenders ? Whether projectors have
‘ been most abundant before that statute, or since
‘ that statute ? And whether the nation has suffered,
‘ as you might say—benefited, as I should say, most
‘ by them, upon the whole, during the former period
‘ or the latter ? All these discussions, and many
‘ more that might be started, I decline engaging in,
‘ as more likely to retard, than to forward, our
‘ coming to any agreement concerning the main
‘ question.

‘ In the next place, I must here take the liberty
‘ of referring you to the proof, which I think I have
‘ already given, of the proposition, that the restraints
‘ in question could never have had the effect, in any
‘ degree, of lessening the proportion of bad projects
‘ to good ones, but only of diminishing, as far as
‘ their influence may have extended, the total num-
‘ ber of projects, good and bad together. Whatever
‘ therefore was the general tendency of the project-
‘ ing spirit previously to the first of these laws, such
‘ it must have remained ever since, for any effect
‘ which they could have had in purifying and cor-
‘ recting it.

‘ But what may appear more satisfactory perhaps
‘ than both the above considerations, and may afford
‘ us the best help towards extricating ourselves from

‘ the perplexity, which the plea I have been combat-
‘ ing (and which I thought it necessary to bring to
‘ view, as the best that could be urged) seems much
‘ better calculated to plunge us into, than bring us
‘ out of, is, the consideration of the small effect
‘ which the greatest waste that can be conceived to
‘ have been made within any compass of time, by
‘ injudicious projects, can have had on the sum of
‘ prosperity, even in the estimation of those whose
‘ opinion is most unfavourable to projectors, in com-
‘ parison of the effect which within the same compass
‘ of time must have been produced by *prodigality*.

‘ Of the two causes, and only two causes, which
‘ you mention, as contributing to retard the accumu-
‘ lation of national wealth, as far as the conduct of
‘ individuals is concerned, projecting, as I observed
‘ before, is the one, and prodigality is the other : but
‘ the detriment, which society can receive even from
‘ the concurrent efficacy of both these causes, you
‘ represent, on several occasions, as inconsiderable ;
‘ and, if I do not misapprehend you, too inconsider-
‘ able either to need, or to warrant, the interposition
‘ of government to oppose it. Be this as it may
‘ with regard to projecting and prodigality taken
‘ together, with regard to prodigality at least, I am
‘ certain I do not misapprehend you. On this sub-
‘ ject you ride triumphant, and chastise the “ imperti-
‘ “ nence and presumption of kings and ministers,”
‘ with a tone of authority, which it required a
‘ courage like yours to venture upon, and a genius

' like yours to warrant a man to assume*. After
 ' drawing the parallel between private thrift and
 ' public profusion, "It is" (you conclude) "the
 ' " highest impertinence and presumption therefore
 ' " in kings and ministers to *pretend to watch over*
 ' " *the economy of private people*, and to restrain
 ' " their expense, either by sumptuary laws, or by
 ' " prohibiting the importation of foreign luxuries.
 ' " They are themselves always, and without excep-
 ' " tion, the greatest spendthrifts in the society. Let
 ' " them look well after their own expense, and they
 ' " may safely trust private people with theirs. If
 ' " their own extravagance does not ruin the state,
 ' " that of their subjects never will."

' That the employing the expedients you mention
 ' for restraining prodigality, is indeed generally, per-
 ' haps even without exception, improper, and in
 ' many cases even ridiculous, I agree with you :
 ' nor will I here step aside from my subject to defend
 ' from that imputation another mode suggested in
 ' a former part of these papers. But however pre-
 ' sumptuous and impertinent it may be for the sove-
 ' reign to attempt in any way to check by legal re-
 ' straints the *prodigality* of individuals, to attempt
 ' to check their *bad management* by such restraints,
 ' seems abundantly more so. To err in the way of
 ' prodigality is the lot, though, as you well observe,
 ' not of *many* men, in comparison of the whole mass
 ' of mankind, yet at least of *any* man : the stuff fit

* B. II., ch. iii.

‘ to make a prodigal of is to be found in every ale-
‘ house, and under every hedge. But even to *err* in
‘ the way of projecting is the lot only of the privi-
‘ leged few. Prodigality, though not so common as
‘ to make any very material drain from the general
‘ mass of wealth, is however too common to be re-
‘ garded as a mark of distinction or as a singularity.
‘ But the stepping aside from any of the beaten paths
‘ of traffic, *is* regarded as a singularity, as serving
‘ to distinguish a man from other men. Even where
‘ it requires no genius, no peculiarity of talent, as
‘ where it consists in nothing more than the finding
‘ out a new market to buy or sell in, it requires how-
‘ ever at least a degree of courage, which is not to be
‘ found in the common herd of men. What shall we
‘ say of it, where, in addition to the vulgar quality of
‘ courage, it requires the rare endowment of genius,
‘ as in the instance of all those successive enterprises
‘ by which arts and manufactures have been brought
‘ from their original nothing to their present splen-
‘ dour? Think how small a part of the community
‘ these must make, in comparison of the race of pro-
‘ digals; of that very rare race, which, were it only
‘ on account of the smallness of its number, would
‘ appear too inconsiderable to you to deserve atten-
‘ tion. Yet prodigality is essentially and necessarily
‘ hurtful, as far as it goes, to the opulence of the
‘ state: projecting, only by accident. Every prodigal,
‘ without exception, impairs, by the very suppo-
‘ sition impairs, if he does not annihilate, his fortune.
‘ But it certainly is not every projector that impairs

‘ his : it is not every projector that would have done
‘ so, had there been none of those wise laws to hinder
‘ him : for the fabric of national opulence, that fabric
‘ of which you proclaim, with so generous an exul-
‘ tation, the continual increase, that fabric, in every
‘ apartment of which, innumerable as they are, it re-
‘ quired the reprobated hand of a projector to lay the
‘ first stone, has required some hands at least to be
‘ employed, and successfully employed. When in
‘ comparison of the number of prodigals, which is too
‘ inconsiderable to deserve notice, the number of
‘ projectors of all kinds is so much more inconsider-
‘ able—and when from this inconsiderable number
‘ must be deducted the not inconsiderable propor-
‘ tion of successful projectors—and from this re-
‘ mainder again, all those who can carry on their
‘ projects without need of borrowing—think whether
‘ it be possible, that this last remainder could afford
‘ a multitude, the reducing of which would be an
‘ object, deserving the interposition of government
‘ by its magnitude, even taking for granted that it
‘ were an object proper in its nature ?

‘ If it be still a question, whether it be worth
‘ while for government, by its *reason*, to attempt to
‘ control the conduct of men visibly and undeniably
‘ under the dominion of *passion*, and acting under
‘ that dominion, contrary to the dictates of their own
‘ reason ; in short, to effect what is acknowledged to
‘ be their better judgment, against what everybody,
‘ even themselves, would acknowledge to be their
‘ worse : is it endurable that the legislator should by

‘ violence substitute his own pretended reason, the
‘ result of a momentary and scornful glance, the off-
‘ spring of wantonness and arrogance, much rather
‘ than of social anxiety and study, in the place of
‘ the humble reason of individuals, binding itself
‘ down with all its force to that very object which he
‘ pretends to have in view ?—Nor let it be forgotten,
‘ that, on the side of the individual in this strange
‘ competition, there is the most perfect and minute
‘ knowledge and information, which interest, the
‘ whole interest of a man’s reputation and fortune,
‘ can ensure : on the side of the legislator, the most
‘ perfect ignorance. All that he knows, all that he
‘ can know, is, that the enterprise is a *project*, which,
‘ merely because it is susceptible of that obnoxious
‘ name, he looks upon as a sort of cock, for him, in
‘ childish wantonness, to shy at.—Shall the blind
‘ lead the blind ? is a question that has been put of
‘ old to indicate the height of folly : but what then
‘ shall we say of him who, being necessarily blind,
‘ insists on leading, in paths he never trod in, those
‘ who can see ?

‘ It must be by some distinction too fine for my
‘ conception, if you clear yourself from the having
‘ taken, on another occasion, but on the very point
‘ in question, the side, on which it would be my am-
‘ bition to see you fix.

‘ “ What is the species of domestic industry which
‘ “ his capital can employ, and of which the produce
‘ “ is likely to be of the greatest value, every indi-

‘ “vidual” (you say*), “it is evident, can, in his
 ‘ “local situation, judge much better than any states-
 ‘ “man or lawgiver can do for him. The statesman,
 ‘ “who should attempt to direct private people in
 ‘ “what manner they ought to employ their capitals,
 ‘ “would not only load himself with a most unne-
 ‘ “cessary attention, but assume an authority which
 ‘ “could safely be trusted, not only to no single
 ‘ “person, but to no council or senate whatsoever,
 ‘ “and which would nowhere be so dangerous as in
 ‘ “the hands of a man who had folly and presump-
 ‘ “tion enough to fancy himself fit to exercise it.

‘ “To give the monopoly of the home market to
 ‘ “the produce of domestic industry, in any parti-
 ‘ “cular art or manufacture, is in some measure to
 ‘ “direct private people in what manner they ought
 ‘ “to employ their capitals, and must in almost all
 ‘ “cases be either a useless or a hurtful regulation.”
 ‘ —Thus far you: and I add, to limit the legal inte-
 ‘ rest to a rate at which the carriers on of the oldest
 ‘ and best-established and least hazardous trades are
 ‘ always glad to borrow, is to give the monopoly of
 ‘ the money-market to those traders, as against the
 ‘ projectors of new-imagined trades, not one of which
 ‘ but, were it only from the circumstance of its
 ‘ novelty, must, as I have already observed, appear
 ‘ more hazardous than the old.

‘ These, in comparison, are but inconclusive topics.
 ‘ I touched upon them merely as affording, what ap-

‘ peared to me the only shadow of a plea, that could
‘ be brought, in defence of the policy I am contending
‘ against. I come back therefore to my first ground,
‘ and beg you once more to consider, whether, of all
‘ that host of manufactures, which we both exult in as
‘ the causes and ingredients of national prosperity,
‘ there be a single one, that could have existed at first
‘ but in the shape of a project. But, if a regulation,
‘ the tendency and effect of which is merely to check
‘ projects, in as far as they are projects, without any sort
‘ of tendency, as I have shown, to weed out the bad
‘ ones, is defensible in its present state of imperfect
‘ efficacy, it should not only have been defensible, but
‘ much more worthy of our approbation, could the
‘ efficacy of it have been so far strengthened and
‘ completed as to have opposed, from the beginning,
‘ an unsurmountable bar to all sorts of projects what-
‘ soever: that is to say, if, stretching forth its hand
‘ over the first rudiments of society, it had confined
‘ us, from the beginning, to mud for our habitations,
to skins for our clothing, and to acorns for our food.

‘ I hope you may by this time be disposed to
‘ allow me, that we have not been ill served by the
‘ projects of time past. I have already intimated,
‘ that I could not see any reason why we should ap-
‘ prehend our being worse served by the projects of
‘ time future. I will now venture to add, that I
‘ think I do see reason, why we should expect to be
‘ still better and better served by these projects, than
‘ by those. I mean better upon the whole, in virtue
‘ of the reduction which experience, if experience be

‘ worth any thing, should make in the proportion of
‘ the number of the ill-grounded and unsuccessful,
‘ to that of the well-grounded and successful ones. .

‘ The career of art, the great road which receives
‘ the footsteps of projectors, may be considered as a
‘ vast, and perhaps unbounded, plain, bestrewed
‘ with gulfs, such as Curtius was swallowed up in.
‘ Each requires an human victim to fall into it ere
‘ it can close ; but when it once closes, it closes to
‘ open no more, and so much of the path is safe to
‘ those who follow. If the want of perfect informa-
‘ tion of former miscarriages renders the reality of
‘ human life less happy than this picture, still the si-
‘ militude must be acknowledged : and we see at
‘ once the only plain and effectual method for
‘ bringing that similitude still nearer and nearer to
‘ perfection ; I mean, the framing the history of the
‘ projects of time past, and (what may be executed
‘ in much greater perfection, were but a finger held
‘ up by the hand of government) the making provi-
‘ sion for recording, and collecting, and publishing
‘ as they are brought forth, the race of those with
‘ which the womb of futurity is still pregnant. But
‘ to pursue this idea, the execution of which is not
‘ within my competence, would lead me too far from
‘ the purpose.

‘ Comfortable it is to reflect, that this state of con-
‘ tinually-improving security, is the natural state not
‘ only of the road to opulence, but of every other
‘ track of human life. In the war which industry
‘ and ingenuity maintained with fortune, past ages

‘ of ignorance and barbarism form the forlorn hope,
‘ which has been detached in advance, and made a
‘ sacrifice of for the sake of future. The golden age,
‘ it is but too true, is not the lot of the generation in
‘ which we live : but, if it is to be found in any part
‘ of the track marked out for human existence, it will
‘ be found, I trust, not in any part which is past,
‘ but in some part which is to come.

‘ But to return to the laws against usury, and
‘ their restraining influence on projectors. I have
‘ made it, I hope, pretty apparent, that these re-
‘ straints have no power or tendency to pick out bad
‘ projects from the good. Is it worth while to add,
‘ which I think I may do with some truth, that the
‘ tendency of them is rather to pick the good out from
‘ the bad ? Thus much at least may be said, and it
‘ comes to the same thing, that there is one case in
‘ which, be the project what it may, they may have
‘ the effect of checking it, and another in which they
‘ can have no such effect ; and that the first has for
‘ its accompaniment, and that a necessary one, a
‘ circumstance which has a strong tendency to sepa-
‘ rate and discard every project of the injudicious
‘ stamp, but which is wanting in the other case. I
‘ mean, in a word, the *benefit of discussion*.

‘ It is evident enough, that upon all such projects,
‘ whatever be their nature, as find funds sufficient to
‘ carry them on, in the hands of him whose inven-
‘ tion gave them birth, these laws are perfectly, and
‘ if by this time you will allow me to say so, very
‘ happily, without power. But for these there has

‘ not necessarily been any other judge, prior to experience, than the inventor’s own partial affection. It is not only not necessary that they should have had, but it is natural enough that they should not have had, any such judge : since in most cases the advantage to be expected from the project depends upon the exclusive property in it, and consequently upon the concealment of the principle. Think, on the other hand, how different is the lot of that enterprise which depends upon the good opinion of another man; that other, a man possessed of the wealth which the projector wants, and before whom necessity forces him to appear in the character of a suppliant at least : happy if, in the imagination of his judge, he adds not to that degrading character, that of a visionary enthusiast or an impostor ! At any rate, there are, in this case, two wits, set to sift into the merits of the project, for one, which was employed upon that same task in the other case : and of these two there is one, whose prejudices are certainly not most likely to be on the favourable side. True it is, that in the jumble of occurrences, an over-sanguine projector may stumble upon a patron as over-sanguine as himself ; and the wishes may bribe the judgment of the one, as they did of the other. The opposite case, however, you will allow, I think, to be by much the more natural. Whatever a man’s wishes may be for the success of an enterprise not yet his own, his fears are likely to be still stronger. That same pretty generally implanted principle of vanity and self-conceit,

‘ which disposes most of us to over-value each of us
 ‘ his own conceptions, disposes us, in a proportion-
 ‘ able degree, to undervalue those of other men.

‘ Is it worth adding, though it be undeniably
 ‘ true, that could it even be proved, by ever so un-
 ‘ controvertible evidence, that, from the beginning
 ‘ of time to the present day, there never was a pro-
 ‘ ject that did not terminate in the ruin of its author ;
 ‘ not even from such a fact as this could the legis-
 ‘ lator derive any sufficient warrant, so much as for
 ‘ wishing to see the spirit of projects in any degree
 ‘ repressed ?—The discouraging motto, *Sic vos non*
 ‘ *vobis*, may be matter of serious consideration to
 ‘ the individual, but what is it to the legislator ?
 ‘ What general, let him attack with ever so superior
 ‘ an army, but knows that hundreds, or perhaps
 ‘ thousands, must perish at the first onset ? Shall
 ‘ he, for that consideration alone, lie inactive in his
 ‘ lines ? “ Every man for himself—but God,” adds
 ‘ the proverb (and it might have added the general,
 ‘ and the legislator, and all other public servants),
 ‘ “ for us all.” Those sacrifices of individual to
 ‘ general welfare, which, on so many occasions, are
 ‘ made by third persons against men’s wills, shall
 ‘ the parties themselves be restrained from making,
 ‘ when they do it of their own choice ? To tie men
 ‘ neck and heels, and throw them into the gulfs I
 ‘ have been speaking of, is altogether out of the
 ‘ question : but if at every gulf a Curtius stands
 ‘ mounted and caparisoned, ready to take the leap
 ‘ is it for the legislator, in a fit o old-womanish

‘tenderness, to pull him away? Laying even public
‘interest out of the question, and considering nothing
‘but the feelings of the individuals immediately
‘concerned, a legislator would scarcely do so, who
‘knew the value of hope, “the most precious gift
‘“of heaven.”

‘Consider, Sir, that it is not with the invention-
‘lottery (that great branch of the project lottery,
‘for the sake of which I am defending the whole,
‘and must continue so to do until you or somebody
‘else can shew me how to defend it on better
‘terms), it is not I say with the invention-lottery,
‘as with the mine-lottery, the privateering-lottery,
‘and so many other lotteries, which you speak of,
‘and in no instance, I think, very much to their
‘advantage. In these lines, success does not, as in
‘this, arise out of the embers of ill-success, and
‘thence propagate itself, by a happy contagion, per-
‘haps to all eternity. Let Titius have found a
‘mine, it is not the more easy, but by so much the
‘less easy, for Sempronius to find one too: let
‘Titius have made a capture, it is not the more easy,
‘but by so much the less easy, for Sempronius to do
‘the like. But let Titius have found out a new
‘dye, more brilliant or more durable than those in
‘use, let him have invented a new and more conve-
‘nient machine, or a new and more profitable mode
‘of husbandry; a thousand dyers, ten thousand
‘mechanics, a hundred thousand husbandmen, may
‘repeat and multiply his success: and then, what
‘is it to the public, though the fortune of Titius, or

‘ of his usurer, should have sunk under the experiment ?

‘ Birmingham and Sheffield are pitched upon by you as examples, the one of a projecting town, the other of an unprojecting one.* Can you forgive my saying, I rather wonder that this comparison of your own choosing, did not suggest some suspicions of the justice of the conceptions you had taken up, to the disadvantage of projectors. Sheffield is an old oak : Birmingham, but a mushroom. What if we should find the mushroom still vaster and more vigorous than the oak ? Not but the one as well as the other, at what time soever planted, must equally have been planted by projectors : for though Tubal Cain himself were to be brought post from Armenia to plant Sheffield, Tubal Cain himself was as arrant a projector in his day, as ever Sir Thomas Lombe was, or Bishop Blaise : but Birmingham, it seems, claims in common parlance the title of a projecting town, to the exclusion of the other, because, being but of yesterday, the spirit of project smells fresher and stronger there than elsewhere.

‘ When the odious sound of the word *projector* no longer tingles in your ears, the race of men thus stigmatized do not always find you their enemy. Projects, even under the name of “ dangerous and expensive experiments,” are represented as not unfit to be encouraged, even though mono-

* B. I. ch. x.

‘ poly be the means : and the monopoly is defended
‘ in that instance, by its similarity to other instances
‘ in which the like means are employed to the like
‘ purpose.

‘ “ When a company of merchants undertake at
‘ “ their own risk and expense to establish a new
‘ “ trade with some remote and barbarous nation, it
‘ “ may not be unreasonable” (you observe) “ to
‘ “ incorporate them into a joint-stock company,
‘ “ and to grant them, in case of their success, a
‘ “ monopoly of the trade for a certain number of
‘ “ years. It is the easiest and most natural way,
‘ “ in which the state can recompense them, for
‘ “ hazarding a dangerous and expensive experi-
‘ “ ment, of which the public is afterwards to reap
‘ “ the benefit. A temporary monopoly of this kind
‘ “ may be vindicated, upon the same principles,
‘ “ upon which a like monopoly of a new machine
‘ “ is granted to its inventor, and that of a new book
‘ “ to its author.”

‘ Private respect must not stop me from embracing
‘ this occasion of giving a warning, which is so
‘ much needed by mankind. If so original and
‘ independent a spirit has not been always able to
‘ save itself from being drawn aside by the fascina-
‘ tion of sounds, into the paths of vulgar prejudice,
‘ how strict a watch ought not men of common
‘ mould to set over their judgments, to save them-
‘ selves from being led astray by similar delusions ?

‘ I have sometimes been tempted to think, that
‘ were it in the power of laws to put *words* under

‘ proscription, as it is to put *men*, the cause of
‘ inventive industry might perhaps derive scarcely
‘ less assistance from a bill of attainder against the
‘ words *project* and *projectors*, than it has derived
‘ from the act authorizing the grant of patents. I
‘ should add, however, for a time : for even then the
‘ envy, and vanity, and wounded pride, of the unin-
‘ genious herd, would sooner or later infuse their
‘ venom into some other word, and set it up as a new
‘ tyrant, to hover, like its predecessor, over the birth
‘ of infant genius, and crush it in its cradle.

‘ Will not you accuse me of pushing malice be-
‘ yond all bounds, if I bring down against you so
‘ numerous and respectable a body of men, as the
‘ members of the *Society for the Encouragement of*
‘ *Arts* ? I do not, must not, care : for you command
‘ too much respect to have any claim to mercy. At
‘ least you will not accuse me of spiriting up against
‘ you barbarian enemies, and devoting you to the
‘ vengeance of Cherokees and Chicasaws.

‘ Of that popular institution, the very professed
‘ and capital object is the encouragement of projects,
‘ and the propagating of that obnoxious breed, the
‘ crushing of which you commend as a fit exercise
‘ for the arm of power. But if it be right to crush
‘ the acting malefactors, it would be downright in-
‘ consistency not to crush, at the same time, or
‘ rather not to begin with crushing, these their
‘ hirers and abettors. Thank then their inadvert-
‘ ence, or their generosity, or their prudence, if their

‘ beadle has not yet received orders to burn in ceremony, as a libel on the society, a book that does honour to the age.

‘ After having had the boldness to accuse so great a master of having fallen unawares into an error, may I take the still further liberty, of setting conjecture to work to account for it? Scarce any man, perhaps no man, can push the work of creation, in any line, to such a pitch of completeness, as to have gone through the task of examining with his own eyes into the grounds of every position, without exception, which he has had occasion to employ. You heard the public voice, strengthened by that of law, proclaiming all round you, that usury was a sad thing, and usurers a wicked and pernicious set of men : you heard from one at least of those quarters, that projectors were either a foolish and contemptible race, or a knavish and destructive one : hurried away by the throng, and taking, very naturally, for granted, that what every body said must have some ground for it, you have joined the cry, and added your suffrage to the rest. Possibly too, among the crowd of projectors which the lottery of occurrences happened to present to your observation, the prejudicial sort may have borne such a proportion to the beneficial, or shown themselves in so much stronger colours, as to have given the popular notion a firmer hold in your judgment, than it would have had, had the contrary proportion happened to present itself to

‘ your notice. To allow no more weight to examples
‘ that fall close under our eyes, than to those which
‘ have fallen at ever so great a distance—to suffer
‘ the judgment on no occasion to indulge itself in
‘ the licence of a too hasty and extensive generali-
‘ zation—not to give any proposition footing there,
‘ till after all such defalcations have been made, as
‘ are necessary to reduce it within the limits of rigid
‘ truth—these are laws, the complete observance
‘ whereof forms the ultimate, and hitherto, perhaps
‘ for ever, ideal term of human wisdom.

‘ You have defended against unmerited obloquy
‘ two classes of men, the one innocent at least, the
‘ other highly useful ; the spreaders of English arts
‘ in foreign climes,* and those whose industry exerts
‘ itself in distributing that necessary commodity
‘ which is called by way of eminence the staff of life.
‘ May I flatter myself with having succeeded at last
‘ in my endeavours, to recommend to the same
‘ powerful protection, two other highly useful and
‘ equally persecuted sets of men, usurers and pro-
‘ jectors.—Yes—I will, for the moment at least,
‘ indulge so flattering an idea : and, in pursuance
‘ of it, leaving usurers, for whom I have said enough
‘ already, I will consider myself as joined now with
‘ you in the same commission, and thinking with
‘ you of the best means of relieving the projector
‘ from the load of discouragement laid on him by
‘ these laws, in so far as the pressure of them falls

* B. IV. ch. viii.

‘ particularly upon him. In my own view of the
‘ matter, indeed, no temperament, no middle course,
‘ is either necessary or proper : the only perfectly
‘ effectual, is the only perfectly proper remedy,—a
‘ sponge. But, as nothing is more common with
‘ mankind, than to give opposite receptions, to con-
‘ clusions flowing with equal necessity from the
‘ same principle, let us accommodate our views to
‘ that contingency.

‘ According to this idea, the object, as far as
‘ confined to the present case, should be, to provide,
‘ in favour of projectors only, a dispensation from
‘ the rigour of the anti-usurious laws : such, for
‘ instance, as is enjoyed by persons engaged in the
‘ carrying trade, in virtue of the indulgence given to
‘ loans made on the footing of *respondentia* or bot-
‘ tomry. As to abuse, I see not why the danger of
‘ it should be greater in this case than in those.
‘ Whether a sum of money be embarked, or not
‘ embarked, in such or such a new manufacture on
‘ land, should not, in its own nature, be a fact much
‘ more difficult to ascertain, than whether it be
‘ embarked, or not embarked, in such or such a
‘ trading adventure by sea ; and, in the one case as
‘ in the other, the payment of the interest, as well as
‘ the repayment of the principal, might be made to
‘ depend upon the success of the adventure. To
‘ confine the indulgence to new undertakings, the
‘ having obtained a patent for some invention, and
‘ the continuance of the term of the patent, might
‘ be made conditions of the allowance given to the

‘ bargain : to this might be added affidavits, expressive of the intended application, and bonds, with sureties, conditioned for the performance of the intention so declared ; to be registered in one of the patent-offices, or elsewhere. After this, affidavits once a year, or oftener, during the subsistence of the contract, declaring what has been done in execution of it.

‘ If the leading-string is not yet thought tight enough, boards of control might be instituted to draw it tighter. Then opens a scene of vexation and intrigue : waste of time consumed in courting the favour of the members of the board : waste of time, in opening their understandings, clenched perhaps by ignorance, at any rate by disdain and self-sufficiency, and vanity and pride : the favour (for pride will make it a favour) granted to skill in the arts of self-recommendation and cabal, devoid of inventive merit, and refused to naked merit unadorned by practice in those arts : waste of time on the part of the persons themselves engaged in this impertinent inquiry : waste of somebody’s money in paying them for this waste of time. All these may be necessary evils, where the money to be bestowed is public money : how idle where it is the party’s own !—I will not plague you, nor myself, with inquiring of whom shall be composed this board of nurses to grown gentlemen : were it only to cut the matter short, one might name at once the committees of the Society of Arts. There you have body of men ready

‘ trained in the conduct of inquiries, which resemble
‘ that in question, in every circumstance, but that
‘ which renders it ridiculous : the members or re-
‘ presentatives of this democratic body would be as
‘ likely, I take it, to discharge such a trust with
‘ fidelity and skill, as any aristocracy that could be
‘ substituted in their room.

‘ *Crichoff, in White Russia,*
‘ *March, 1787.*’

CHAPTER V.

Of the different Employment of Capitals.

THOUGH all capitals are destined for the maintenance of productive labour only, yet the quantity of that labour, which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment; as does likewise the value which that employment adds to the annual produce of the land and labour of the country.

A capital may be employed in the four different ways: either, first, in procuring the rude produce annually required for the use and consumption of the society; or, secondly, in manufacturing and preparing that rude produce for immediate use and consumption; or, thirdly, in transporting either the rude or manufactured produce from the places where they abound to those where they are wanted; or, lastly, in dividing particular portions of either into such small parcels as suit the occasional demands of those who want them. In the first way are employed the capitals of all those who undertake the improvement or cultivation of lands, mines, or fisheries; in the second, those of all master manufacturers; in the third, those of all wholesale merchants; and in the fourth, those of all retailers. It is difficult to conceive that a capital should be em-

ployed in any way which may not be classed under some one or other of those four.

Each of those four methods of employing a capital is essentially necessary either to the existence or extension of the other three, or to the general conveniency of the society.

Unless a capital was employed in furnishing rude produce to a certain degree of abundance, neither manufactures nor trade of any kind could exist.

Unless a capital was employed in manufacturing that part of the rude produce which requires a good deal of preparation before it can be fit for use and consumption, it either would never be produced, because there could be no demand for it; or if it was produced spontaneously, it would be of no value in exchange, and could add nothing to the wealth of the society.

Unless a capital was employed in transporting either the rude or manufactured produce, from the places where it abounds to those where it is wanted, no more of either could be produced than was necessary for the consumption of the neighbourhood. The capital of the merchant exchanges the surplus produce of one place for that of another, and thus encourages the industry and increases the enjoyments of both.

Unless a capital was employed in breaking and dividing certain portions either of the rude or manufactured produce, into such small parcels as suit the occasional demands of those who want them, every man would be obliged to purchase a greater quan-

tity of the goods he wanted, than his immediate occasions required. If there was no such trade as a butcher, for example, every man would be obliged to purchase a whole ox or a whole sheep at a time. This would generally be inconvenient to the rich, and much more so to the poor. If a poor workman was obliged to purchase a month's or six months' provisions at a time, a great part of the stock which he employs as a capital in the instruments of his trade, or in the furniture of his shop, and which yields him a revenue, he would be forced to place in that part of his stock which is reserved for immediate consumption, and which yields him no revenue. Nothing can be more convenient for such a person than to be able to purchase his subsistence from day to day, or even from hour to hour, as he wants it. He is thereby enabled to employ almost his whole stock as a capital. He is thus enabled to furnish work to a greater value, and the profit, which he makes by it in this way, much more than compensates the additional price which the profit of the retailer imposes upon the goods. The prejudices of some political writers against shopkeepers and tradesmen, are altogether without foundation. So far is it from being necessary, either to tax them, or to restrict their numbers, that they can never be multiplied so as to hurt the public, though they may so as to hurt one another. The quantity of grocery goods, for example, which can be sold in a particular town, is limited by the demand of that town and its neighbourhood. The capital, there-

fore, which can be employed in the grocery trade cannot exceed what is sufficient to purchase that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them sell cheaper, than if it were in the hands of one only : and if it were divided among twenty, their competition would be just so much the greater, and the chance of their combining together, in order to raise the price, just so much the less. Their competition might perhaps ruin some of themselves ; but to take care of this is the business of the parties concerned, and it may safely be trusted to their discretion. It can never hurt either the consumer, or the producer ; on the contrary, it must tend to make the retailers both sell cheaper and buy dearer, than if the whole trade was monopolized by one or two persons. Some of them, perhaps, may sometimes decoy a weak customer to buy what he has no occasion for. This evil, however, is of too little importance to deserve the public attention, nor would it necessarily be prevented by restricting their numbers. It is not the multitude of ale-houses, to give the most suspicious example, that occasions a general disposition to drunkenness among the common people ; but that disposition arising from other causes necessarily gives employment to a multitude of ale-houses.

The persons whose capitals are employed in any of those four ways are themselves productive labourers. Their labour, when properly directed, fixes and realizes itself in the subject or vendible commo-

dity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption. The profits of the farmer, of the manufacturer, of the merchant, and retailer, are all drawn from the price of the goods which the two first produce, and the two last buy and sell. Equal capitals, however, employed in each of those four different ways, will immediately put into motion very different quantities of productive labour, and augment too in very different proportions the value of the annual produce of the land and labour of the society to which they belong.

The capital of the retailer replaces, together with its profits, that of the merchant of whom he purchases goods, and thereby enables him to continue his business. The retailer himself is the only productive labourer whom it immediately employs. In his profits consists the whole value which its employment adds to the annual produce of the land and labour of the society.

The capital of the wholesale merchant replaces, together with their profits, the capitals of the farmers and manufacturers of whom he purchases the rude and manufactured produce which he deals in, and thereby enables them to continue their respective trades. It is by this service chiefly that he contributes indirectly to support the productive labour of the society, and to increase the value of its annual produce. His capital employs too the sailors and carriers who transport his goods from one place to another, and it augments the price of those goods

by the value, not only of his profits, but of their wages. This is all the productive labour which it immediately puts into motion, and all the value which it immediately adds to the annual produce. Its operation in both these respects is a good deal superior to that of the capital of the retailer.

Part of the capital of the master manufacturer is employed as a fixed capital in the instruments of his trade, and replaces, together with its profits, that of some other artificer of whom he purchases them. Part of this circulating capital is employed in purchasing materials, and replaces, with their profits, the capitals of the farmers and miners of whom he purchases them. But a great part of it is always, either annually, or in a much shorter period, distributed among the different workmen whom he employs. It augments the value of those materials by their wages, and by their masters' profits upon the whole stock of wages, materials, and instruments of trade employed in the business. It puts immediately into motion, therefore, a much greater quantity of productive labour, and adds a much greater value to the annual produce of the land and labour of the society, than an equal capital in the hands of any wholesale merchant.

No equal capital puts into motion a greater quantity of productive labour than that of the farmer. Not only his labouring servants, but his labouring cattle, are productive labourers. In agriculture too nature labours along with man; and though her labour costs no expense, its produce has its

value, as well as that of the most expensive workmen. The most important operations of agriculture seem intended not so much to increase, though they do that too, as to direct the fertility of nature towards the production of the plants most profitable to man. A field overgrown with briars and brambles may frequently produce as great a quantity of vegetables as the best cultivated vineyard or corn field. Planting and tillage frequently regulate more than they animate the active fertility of nature; and after all their labour, a great part of the work always remains to be done by her. The labourers and labouring cattle, therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owners' profits; but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or, in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains after deducting or compensating every thing which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labour em-

ployed in manufactures can ever occasion so great a reproduction. In them nature does nothing ; man does all ; and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but in proportion too to the quantity of productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society.

The capitals employed in the agriculture and in the retail trade of any society, must always reside within that society. Their employment is confined almost to a precise spot, to the farm, and to the shop of the retailer. They must generally too, though there are some exceptions to this, belong to resident members of the society.

The capital of a wholesale merchant, on the contrary, seems to have no fixed or necessary residence anywhere, but may wander about from place to place, according as it can either buy cheap or sell dear.

The capital of the manufacturer must no doubt reside where the manufacture is carried on ; but where this shall be is not always necessarily determined. It may frequently be at a great distance both from the place where the materials grow, and

from that where the complete manufacture is consumed. Lyons is very distant both from the places which afford the materials of its manufactures, and from those which consume them. The people of fashion in Sicily are clothed in silks made in other countries, from the materials which their own produces. Part of the wool of Spain is manufactured in Great Britain, and some part of that cloth is afterwards sent back to Spain.

Whether the merchant whose capital exports the surplus produce of any society be a native or a foreigner, is of very little importance. If he is a foreigner, the number of their productive labourers is necessarily less than if he had been a native by one man only; and the value of their annual produce, by the profits of that one man. The sailors or carriers whom he employs may still belong indifferently either to his country, or to their country, or to some third country, in the same manner as if he had been a native. The capital of a foreigner gives a value to their surplus produce equally with that of a native, by exchanging it for something for which there is a demand at home. It as effectually replaces the capital of the person who produces that surplus, and as effectually enables him to continue his business; the service by which the capital of a wholesale merchant chiefly contributes to support the productive labour, and to augment the value of the annual produce of the society to which he belongs.

It is of more consequence that the capital of the

manufacturer should reside within the country. It necessarily puts into motion a greater quantity of productive labour, and adds a greater value to the annual produce of the land and labour of the society. It may, however, be very useful to the country, though it should not reside within it. The capitals of the British manufacturers who work up the flax and hemp annually imported from the coasts of the Baltic, are surely very useful to the countries which produce them. Those materials are a part of the surplus produce of those countries which, unless it was annually exchanged for something which is in demand there, would be of no value, and would soon cease to be produced. The merchants who export it, replace the capitals of the people who produce it, and thereby encourage them to continue the production ; and the British manufacturers replace the capitals of those merchants.

A particular country, in the same manner as a particular person, may frequently not have capital sufficient both to improve and cultivate all its lands, to manufacture and prepare their whole rude produce for immediate use and consumption, and to transport the surplus part either of the rude or manufactured produce to those distant markets where it can be exchanged for something for which there is a demand at home. The inhabitants of many different parts of Great Britain have not capital sufficient to improve and cultivate all their lands. The wool of the southern counties of Scotland is, a great part of it, after a long land carriage

through very bad roads, manufactured in Yorkshire, for want of a capital to manufacture it at home. There are many little manufacturing towns in Great Britain, of which the inhabitants have not capital sufficient to transport the produce of their own industry to those distant markets where there is demand and consumption for it. If there are any merchants among them, they are properly only the agents of wealthier merchants, who reside in some of the greater commercial cities.

When the capital of any country is not sufficient for all those three purposes, in proportion as a greater share of it is employed in agriculture, the greater will be the quantity of productive labour which it puts into motion within the country; as will likewise be the value which its employment adds to the annual produce of the land and labour of the society. After agriculture, the capital employed in manufactures puts into motion the greatest quantity of productive labour, and adds the greatest value to the annual produce. That which is employed in the trade of exportation, has the least effect of any of the three.

The country, indeed, which has not capital sufficient for all those three purposes, has not arrived at that degree of opulence for which it seems naturally destined. To attempt, however, prematurely, and with an insufficient capital, to do all the three, is certainly not the shortest way for a society, no more than it would be for an individual, to acquire a sufficient one. The capital of all the individuals of a

nation, has its limits in the same manner as that of a single individual, and is capable of executing only certain purposes. The capital of all the individuals of a nation is increased in the same manner as that of a single individual, by their continually accumulating and adding to it whatever they save out of their revenue. It is likely to increase the fastest, therefore, when it is employed in the way that affords the greatest revenue to all the inhabitants of the country, as they will thus be enabled to make the greatest savings. But the revenue of all the inhabitants of the country is necessarily in proportion to the value of the annual produce of their land and labour.

It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture. They have no manufactures, those household and coarser manufactures excepted which necessarily accompany the progress of agriculture, and which are the work of the women and children in every private family. The greater part both of the exportation and coasting trade of America, is carried on by the capitals of merchants who reside in Great Britain. Even the stores and warehouses from which goods are retailed in some provinces, particularly in Virginia and Maryland, belong many of them to merchants who reside in the mother country, and afford one of the few instances of the retail trade of a society being carried on by the capitals of those who are not resi-

dent members of it. Were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures, and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country towards real wealth and greatness. This would be still more the case, were they to attempt, in the same manner, to monopolize to themselves their whole exportation trade.

The course of human prosperity, indeed, seems scarce ever to have been of so long continuance as to enable any great country to acquire capital sufficient for all those three purposes ; unless, perhaps, we give credit to the wonderful accounts of the wealth and cultivation of China, of those of ancient Egypt and of the ancient state of Indostan. Even those three countries, the wealthiest, according to all accounts, that ever were in the world, are chiefly renowned for their superiority in agriculture and manufactures. They do not appear to have been eminent for foreign trade. The ancient Egyptians had a superstitious antipathy to the sea ; a superstition nearly of the same kind prevails among the Indians ; and the Chinese have never excelled in foreign commerce. The greater part of the surplus produce of all those three countries seems to have

been always exported by foreigners, who gave in exchange for it something else for which they found a demand there, frequently gold and silver.

It is thus that the same capital will in any country put into motion a greater or smaller quantity of productive labour, and add a greater or smaller value to the annual produce of its land and labour, according to the different proportions in which it is employed in agriculture, manufactures, and wholesale trade. The difference too is very great, according to the different sorts of wholesale trade in which any part of it is employed.

All wholesale trade, all buying in order to sell again by wholesale, may be reduced to three different sorts. The home trade, the foreign trade of consumption, and the carrying trade. The home trade is employed in purchasing in one part of the same country, and selling in another, the produce of the industry of that country. It comprehends both the inland and the coasting trade. The foreign trade of consumption is employed in purchasing foreign goods for home consumption. The carrying trade is employed in transacting the commerce of foreign countries, or in carrying the surplus produce of one to another.

The capital which is employed in purchasing in one part of the country, in order to sell in another, the produce of the industry of that country, generally replaces by every such operation two distinct capitals that had both been employed in the agriculture or manufactures of that country, and thereby enables them to continue that employment. When

it sends out from the residence of the merchant a certain value of commodities, it generally brings back in return at least an equal value of other commodities. When both are the produce of domestic industry, it necessarily replaces by every such operation two distinct capitals, which had both been employed in supporting productive labour, and thereby enables them to continue that support. The capital which sends Scotch manufactures to London, and brings back English corn and manufactures to Edinburgh, necessarily replaces, by every such operation, two British capitals which had both been employed in the agriculture or manufactures of Great Britain.

The capital employed in purchasing foreign goods for home-consumption, when this purchase is made with the produce of domestic industry, replaces too, by every such operation, two distinct capitals: but one of them only is employed in supporting domestic industry. The capital which sends British goods to Portugal, and brings back Portuguese goods to Great Britain, replaces by every such operation only one British capital. The other is a Portuguese one. Though the returns, therefore, of the foreign trade of consumption should be as quick as those of the home-trade, the capital employed in it will give but one half the encouragement to the industry or productive labour of the country.

But the returns of the foreign trade of consumption are very seldom so quick as those of the home-trade. The returns of the home-trade generally

come in before the end of the year, and sometimes three or four times in the year. The returns of the foreign trade of consumption seldom come in before the end of the year, and sometimes not till after two or three years. A capital, therefore, employed in the home-trade will sometimes make twelve operations, or be sent out and returned twelve times, before a capital employed in the foreign trade of consumption has made one. If the capitals are equal, therefore, the one will give four and twenty times more encouragement and support to the industry of the country than the other.

The foreign goods for home consumption may sometimes be purchased, not with the produce of domestic industry, but with some other foreign goods. These last, however, must have been purchased either immediately with the produce of domestic industry, or with something else that had been purchased with it; for, the case of war and conquest excepted, foreign goods can never be acquired, but in exchange for something that had been produced at home, either immediately, or after two or more different exchanges. The effects, therefore, of a capital employed in such a round-about foreign trade of consumption, are, in every respect, the same as those of one employed in the most direct trade of the same kind, except that the final returns are likely to be still more distant, as they must depend upon the returns of two or three distinct foreign trades. If the hemp and flax of Riga are purchased with the tobacco of Virginia, which had been pur-

chased with British manufactures, the merchant must wait for the returns of two distinct foreign trades before he can employ the same capital in repurchasing a like quantity of British manufactures. If the tobacco of Virginia had been purchased, not with British manufactures, but with the sugar and rum of Jamaica which had been purchased with those manufactures, he must wait for the returns of three. If those two or three distinct foreign trades should happen to be carried on by two or three distinct merchants, of whom the second buys the goods imported by the first, and the third buys those imported by the second, in order to export them again, each merchant indeed will in this case receive the returns of his own capital more quickly; but the final returns of the whole capital employed in the trade will be just as slow as ever. Whether the whole capital employed in such a round-about trade belong to one merchant or to three, can make no difference with regard to the country, though it may with regard to the particular merchants. Three times a greater capital must in both cases be employed, in order to exchange a certain value of British manufactures for a certain quantity of flax and hemp, than would have been necessary, had the manufactures and the flax and hemp been directly exchanged for one another. The whole capital employed, therefore, in such a round-about foreign trade of consumption, will generally give less encouragement and support to the productive labour of the country, than an equal capital employed in a more direct trade of the same kind.

Whatever be the foreign commodity with which the foreign goods for home consumption are purchased, it can occasion no essential difference either in the nature of the trade, or in the encouragement and support which it can give to the productive labour of the country from which it is carried on. If they are purchased with the gold of Brazil, for example, or with the silver of Peru, this gold and silver, like the tobacco of Virginia, must have been purchased with something that either was the produce of the industry of the country, or that had been purchased with something else that was so. So far, therefore, as the productive labour of the country is concerned, the foreign trade of consumption which is carried on by means of gold and silver, has all the advantages and all the inconveniencies of any other equally round-about foreign trade of consumption, and will replace just as fast or just as slow the capital which is immediately employed in supporting that productive labour. It seems even to have one advantage over any other equally round-about foreign trade. The transportation of these metals from one place to another, on account of their small bulk and great value, is less expensive than that of almost any other foreign goods of equal value. Their freight is much less, and their insurance not greater; and no goods, besides, are less liable to suffer by the carriage. An equal quantity of foreign goods, therefore, may frequently be purchased with a smaller quantity of the produce of domestic industry, by the intervention of gold and silver, than by that of any

other foreign goods. The demand of the country may frequently, in this manner, be supplied more completely and at a smaller expense than in any other. Whether, by the continual exportation of those metals, a trade of this kind is likely to impoverish the country from which it is carried on, in any other way, I shall have occasion to examine at great length hereafter.

That part of the capital of any country which is employed in the carrying trade, is altogether withdrawn from supporting the productive labour of that particular country, to support that of some foreign countries. Though it may replace by every operation two distinct capitals, yet neither of them belongs to that particular country. The capital of the Dutch merchant, which carries the corn of Poland to Portugal, and brings back the fruits and wines of Portugal to Poland, replaces by every such operation two capitals, neither of which had been employed in supporting the productive labour of Holland; but one of them in supporting that of Poland, and the other that of Portugal. The profits only return regularly to Holland, and constitute the whole addition which this trade necessarily makes to the annual produce of the land and labour of that country. When, indeed, the carrying trade of any particular country is carried on with the ships and sailors of that country, that part of the capital employed in it which pays the freight, is distributed among, and puts into motion, a certain number of productive labourers of that country. Almost all

nations that have had any considerable share of the carrying trade have, in fact, carried it on in this manner. The trade itself has probably derived its name from it, the people of such countries being the carriers to other countries. It does not, however, seem essential to the nature of the trade that it should be so. A Dutch merchant may, for example, employ his capital in transacting the commerce of Poland and Portugal, by carrying part of the surplus produce of the one to the other, not in Dutch, but in British bottoms. It may be presumed, that he actually does so upon some particular occasions. It is upon this account, however, that the carrying trade has been supposed peculiarly advantageous to such a country as Great Britain, of which the defence and security depend upon the number of its sailors and shipping. But the same capital may employ as many sailors and shipping either in the foreign trade of consumption, or even in the home-trade, when carried on by coasting vessels, as it could in the carrying trade. The number of sailors and shipping which any particular capital can employ, does not depend upon the nature of the trade, but partly upon the bulk of the goods in proportion to their value, and partly upon the distance of the ports between which they are to be carried; chiefly upon the former of those two circumstances. The coal-trade from Newcastle to London, for example, employs more shipping than all the carrying trade of England, though the ports are at no great distance. To force, therefore, by

extraordinary encouragements, a larger share of the capital of any country into the carrying trade, than what would naturally go to it, will not always necessarily increase the shipping of that country.

The capital, therefore, employed in the home-trade of any country will generally give encouragement and support to a greater quantity of productive labour in that country, and increase the value of its annual produce more than an equal capital employed in the foreign trade of consumption : and the capital employed in this latter trade has in both these respects a still greater advantage over an equal capital employed in the carrying trade. The riches, and, so far as power depends upon riches, the power of every country, must always be in proportion to the value of its annual produce, the fund from which all taxes must ultimately be paid. But the great object of the political economy of every country, is to increase the riches and power of that country. It ought, therefore, to give no preference nor superior encouragement to the foreign trade of consumption above the home-trade, nor to the carrying trade above either of the other two. It ought neither to force nor to allure into either of those two channels, a greater share of the capital of the country than what would naturally flow into them of its own accord.

Each of those different branches of trade, however, is not only advantageous, but necessary and unavoidable, when the course of things, without any constraint or violence, naturally introduces it.

When the produce of any particular branch of industry exceeds what the demand of the country requires, the surplus must be sent abroad, and exchanged for something for which there is a demand at home. Without such exportation, a part of the productive labour of the country must cease, and the value of its annual produce diminish. The land and labour of Great Britain produce generally more corn, woollens, and hardware, than the demand of the home-market requires. The surplus part of them, therefore, must be sent abroad, and exchanged for something for which there is a demand at home. It is only by means of such exportation, that this surplus can acquire a value sufficient to compensate the labour and expense of producing it. The neighbourhood of the sea coast, and the banks of all navigable rivers, are advantageous situations for industry, only because they facilitate the exportation and exchange of such surplus produce for something else which is more in demand there.

When the foreign goods which are thus purchased with the surplus produce of domestic industry exceed the demand of the home-market, the surplus part of them must be sent abroad again, and exchanged for something more in demand at home. About ninety-six thousand hogsheads of tobacco are annually purchased in Virginia and Maryland, with a part of the surplus produce of British industry. But the demand of Great Britain does not require, perhaps, more than fourteen thousand. If the remaining eighty-two thousand, therefore, could not be sent

abroad and exchanged for something more in demand at home, the importation of them must cease immediately, and with it the productive labour of all those inhabitants of Great Britain, who are at present employed in preparing the goods with which these eighty-two thousand hogsheads are annually purchased. Those goods, which are part of the produce of the land and labour of Great Britain, having no market at home, and being deprived of that which they had abroad, must cease to be produced. The most round-about foreign trade of consumption, therefore, may, upon some occasions, be as necessary for supporting the productive labour of the country, and the value of its annual produce, as the most direct.

When the capital stock of any country is increased to such a degree, that it cannot be all employed in supplying the consumption, and supporting the productive labour of that particular country, the surplus part of it naturally disgorges itself into the carrying trade, and is employed in performing the same offices to other countries. The carrying trade is the natural effect and symptom of great national wealth; but it does not seem to be the natural cause of it. Those statesmen who have been disposed to favour it with particular encouragements, seem to have mistaken the effect and symptom for the cause. Holland, in proportion to the extent of the land and the number of its inhabitants, by far the richest country in Europe, has, accordingly, the greatest share of the carrying trade of Europe.

England, perhaps the second richest of Europe, is likewise supposed to have a considerable share of it ; though what commonly passes for the carrying trade of England, will frequently, perhaps, be found to be no more than a round-about foreign trade of consumption. Such are, in a great measure, the trades which carry the goods of the East and West Indies, and of America, to different European markets. Those goods are generally purchased either immediately with the produce of British industry, or with something else which had been purchased with that produce, and the final returns of those trades are generally used or consumed in Great Britain. The trade which is carried on in British bottoms between the different ports of the Mediterranean, and some trade of the same kind carried on by British merchants between the different ports of India, make, perhaps, the principal branches of what is properly the carrying trade of Great Britain.

The extent of the home-trade, and of the capital which can be employed in it, is necessarily limited by the value of the surplus produce of all those distant places within the country which have occasion to exchange their respective productions with one another. That of the foreign trade of consumption, by the value of the surplus produce of the whole country and of what can be purchased with it. That of the carrying trade, by the value of the surplus produce of all the different countries in the world. Its possible extent, therefore, is in a manner infinite in comparison of that of the other

two, and is capable of absorbing the greatest capitals.

The consideration of his own private profit, is the sole motive which determines the owner of any capital to employ it either in agriculture, in manufactures, or in some particular branch of the wholesale or retail trade. The different quantities of productive labour which it may put into motion, and the different values which it may add to the annual produce of the land and labour of the society, according as it is employed in one or other of those different ways, never enter into his thoughts. In countries, therefore, where agriculture is the most profitable of all employments, and farming and improving the most direct roads to a splendid fortune, the capitals of individuals will naturally be employed in the manner most advantageous to the whole society. The profits of agriculture, however, seem to have no superiority over those of other employments in any part of Europe. Projectors, indeed, in every corner of it, have within these few years amused the public with most magnificent accounts of the profits to be made by the cultivation and improvement of land. Without entering into any particular discussion of their calculations, a very simple observation may satisfy us that the result of them must be false. We see every day the most splendid fortunes that have been acquired in the course of a single life by trade and manufactures, frequently from a very small capital, sometimes from no capital. A single instance of such a fortune acquired by agri-

culture in the same time, and from such a capital, has not, perhaps, occurred in Europe during the course of the present century. In all the great countries of Europe, however, much good land still remains uncultivated, and the greater part of what is cultivated, is far from being improved to the degree of which it is capable. Agriculture, therefore, is almost everywhere capable of absorbing a much greater capital than has ever yet been employed in it. What circumstances in the policy of Europe have given the trades which are carried on in towns so great an advantage over that which is carried on in the country, that private persons frequently find it more for their advantage to employ their capitals in the most distant carrying trades of Asia and America, than in the improvement and cultivation of the most fertile fields in their own neighbourhood, I shall endeavour to explain at full length in the two following books.

NOTE

ON CHAPTER V., BOOK II.

ADAM SMITH separates the different employments of capital into four classes ; and one of those classes he again subdivides into three, making altogether seven ranks, which he places in a sort of scale of merit, with the raising of raw produce at the top, and the carrying trade at the bottom.

The different degree of merit assigned to each of these seven modes of employing capital, is most vaguely expressed. This or that employment of capital is said to "put in motion a greater quantity of productive labour" than another, and to add more than another to "the value of the annual produce of the land and labour of the country." What is the meaning of these terms? Their author would probably have been at a loss to tell. But probably also, if he had sought to express his meaning with more precision, he would have discovered that, in truth, there is no reason for supposing that any one mode of employing capital is, in any way, more advantageous than any other. The farmer's capital raises wheat; the corn-dealer's capital takes the

wheat to market ; the capitals of the miller and the baker convert the wheat into bread ; and a part of the baker's capital is employed in distributing the bread to consumers. Here we have the raising of raw produce, manufacture, wholesale trade, and retail trade. " Each of these four methods of employing a capital," says Adam Smith, " is essentially necessary, either to the existence or extension of the other three, or to the general conveniency of the society." But if each mode be *essentially necessary* to the existence or extension of the other three, as is obviously the case, how can we assign to any one mode a rank superior to that of any other ? The end, the *terminus ad quem*, as Dr. Chalmers would say, of every employment of capital being consumption, all employments of capital which are " essentially necessary" to the consumption of any commodity, must be equally advantageous. For our daily bread, we are not more indebted to the farmer, than to the corn-dealer, the miller, or the baker. Adam Smith's view of this subject, therefore, seems to be, so far as we can discover his meaning, altogether erroneous.

At the same time, it must be allowed that the erroneous doctrine which it is the object of this chapter to maintain, suggests inquiries of the greatest interest.

If that part of a nation's capital, which is employed in raising necessities, did not produce a surplus over and above what replaces the capital so employed, there could be no demand for the produce

of capital in any other employment. It is the surplus produce of agricultural capital alone which gives occasion to the employment of capitals in wholesale trade, manufactures, retail trade, the home trade, the foreign trade of consumption, and the carrying trade. Nay more, the whole of the capitals employed in all those different ways must have been formed out of the surplus produce of agricultural capital. Not only therefore does agricultural capital put in motion more labour than capital not employed in agriculture, but it puts in motion all labour whatsoever.

It was some idea of this principle, we may suppose, which led Adam Smith to assign the highest rank to the employment of raising raw produce. But if there are six modes of employing capital, which wholly depend on the employment of capital in agriculture, so the productiveness of agricultural capital closely depends on those other employments. The agriculturists would have no motive for raising a surplus produce, if they had no view to the exchange of that surplus for the produce of capitals otherwise employed. This principle is admirably elucidated in the sixth chapter of the next Book, where we learn "how the commerce of towns contributed to the improvement of the country." The power of exchanging is in proportion to the variety of the employments to which capital and labour are directed : the division of employments, nay, industry itself, is limited by the power of exchanging ; whence it follows, that the raising of a surplus agricultural

produce, the existence of a revenue for expenditure, is as much dependent on the other employments of capital, as those other employments are dependent on agriculture.

Which mode of employing capital puts in motion the greatest quantity of labour, is a question not worth inquiring into, except for the purpose of correcting an error in the text. Adam Smith seems to imagine that a society is wealthy and prosperous, according to the proportion which its agricultural capital bears to its other capitals. "It has been the principal cause," he says, "of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have been employed in agriculture." So that if, not almost the whole, but the whole absolutely, of a nation's capital were employed in agriculture, that nation would be pre-eminently wealthy. Poland then, and Russia, and Spain, and Portugal, where four-fifths of the people, at least, are employed in agriculture, should abound in wealth. Whereas the fact is, that the poorest nations are precisely those whose agricultural capital bears the largest proportion to their other capitals, or whose manufacturing and trading capitals bear the smallest proportion to their agricultural capitals. This is the general rule, to which some colonies have formed the exception. What have been the causes of the rapid progress of some few colonies towards wealth and greatness, will be fully examined into hereafter.

Under this head of the different employments of capital, I am tempted to ask by what means it happens, that, in countries where capital is superabundant, agricultural capital may be employed continually with loss, instead of profit to its owners? Political economy, as at present understood, furnishes no answer to this question. Yet the fact is not open to question. It was a common complaint amongst the Dutch about a century back, that large capitals were sunk, that is, gradually consumed without reproduction, in the fisheries. So, now in England, farmers complain that they pay rent out of their capital. We see farmer after farmer ruined by the occupation of the same farm; and yet there is no lack of farmers to bid against each other for the occupation of a farm which has ruined the last tenant. Though one man loses his capital, another brings forward a fresh supply. Most economists would tell us that this is impossible. Adam Smith, however, says, that when capital is superabundant, "it naturally disgorge itself into the carrying trade." But a farmer whose rooted habits forbid him to engage in any other occupation than farming, cannot become a merchant. Besides, all other employments, as well as that of farming, may be gorged with capital, as seems to be the case in this country at present. What then must be done by the farmer? Instead of employing as capital the stock which he possesses, he may expend it as revenue. But to do this deliberately would shock his notions of prudence: besides, he expects a change for the better. He therefore

employs his stock as capital. But as capital, to use an expression of Dr. Chalmers, it "cannot stand," because the whole quantity of capital employed in farming exceeds the field for its employment. What becomes of that portion which "cannot stand as capital"? It seems to be expended as revenue; not indeed by the farmer, but in part by his landlord, who, through the competition of farmers, obtains a higher rent, than the farmer could pay if his capital were every year replaced; and in part by the consumer, who obtains farm produce at a lower price, than it should fetch in order to replace the farmer's capital. This conversion, against the farmer's will, of a part, or by degrees perhaps, of the whole of his capital into revenue, may still be insufficient to cause a different proportion between agricultural capital and the field for its employment; because while the actual race of farmers are losing, other persons may be saving as much, or more, which shall from time to time be employed in agriculture. Thus the race of farmers may, through successive generations, be mere unconscious instruments of that expenditure by which, says Dr. Chalmers, capital is kept within the limit of investment.

END OF VOL. II.

